

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Branch County	County Branch
Audit Date 12/31/04	Opinion Date 4/1/05	Date Accountant Report Submitted to State: 7/21/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.			
Street Address 108 N. Spring Street	City St. Johns	State MI	ZIP 48879
Accountant Signature <i>Abraham & Gaffney, P.C.</i> <i>Anna M. Jones</i>		Date 7/21/05	

Branch County, Michigan
FINANCIAL STATEMENTS
December 31, 2004

Branch County, Michigan

December 31, 2004

BOARD OF COMMISSIONERS

Terry MacDonald	Chairperson
Ramon Mitoska	Vice-Chairperson
Ted Gordon	Commissioner
James Schafer	Commissioner
Norman Heinemann	Commissioner
Imorean Rubley	Commissioner
Rodney Olney	Commissioner
William Chinery	Commissioner

ADMINISTRATION AND OTHER ELECTED OFFICIALS

Duke Anderson	Administrator
Sandra Thatcher	Treasurer
Judy Elliott	Clerk
Linda Morrison-Mathews	Register of Deeds
Michael Hard	Drain Commissioner
Kirk Kashian	Prosecuting Attorney
Warren Canon	Sheriff

Branch County, Michigan

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Certified Public Accountants

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Michigan Association of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Branch County
Coldwater, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Branch County, Michigan as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Branch County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Branch County Road Commission or the Community Health Center. The Branch County Road Commission represents 29% and 11%, respectively, of the assets and revenues of the aggregate discretely presented component units. The Community Health Center represents 41% and 78%, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Branch County Road Commission and the Community Health Center, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Branch County, Michigan as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2005 on our consideration of Branch County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Branch County's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

April 1, 2005

Branch County, Michigan
Management's Discussion and Analysis
December 31, 2004

The following is a discussion and analysis of Branch County's (the County's) financial performance and position, providing an overview of the activities for the year ended December 31, 2004. This analysis should be read in conjunction with the *Independent Auditors Report*, beginning on page i of this report, and with the County's financial statements, which follow this section.

Certain limited financial information is presented with respect to the Branch County Road Commission, Branch-Hillsdale-St. Joseph Community Health Agency, and Community Health Center. The reader should refer to the Road Commission's, Community Health Agency's and Community Health Center's separately issued financial statements for more detailed information.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net assets as of December 31, 2004, were \$28,002,482 (excluding component units).
- Governmental activities net assets were \$13,400,037.
- Business-type activities net assets were \$14,602,445.
- Component Unit net assets were \$86,257,554.

Fund Level:

- At the close of the fiscal year, the County's governmental funds reported a combined ending fund balance of \$4,354,858 all but \$3,815,208 million being reserved, designated, or otherwise earmarked for specific purposes.
- The General Fund realized \$145,585 more in revenues and other financing sources than anticipated for the fiscal year. However, General Fund operations also expended \$229,893 less than appropriated.
- Overall, the General Fund balance increased by \$194,049 to \$1,373,658 with \$1,050,137 undesignated or available for general purposes.

Capital and Long-term Debt Activities:

- The primary government issued \$553,255 in new debt during the fiscal year.
- The total long-term debt for the primary government was \$11,928,489 with a net reduction of \$628,532 from the prior year.
- The Board of Public Works issued \$5,190,000 in new long-term notes.
- The Drainage Districts issued \$62,900 in new long-term notes.
- The total long-term debt for the component units (Drainage Districts and Board of Public Works only) was \$5,346,070 with a net reduction of \$49,930 from the prior year.
- The long-term debt for the Road Commission was \$807,926 and \$3,490,000 for the Community Health Center.
- The County remains well below its authorized legal debt limit.
- The total additions to the capital asset schedule for the primary government were \$1,397,911 and included such purchases as three new sheriff patrol vehicles, a digital fingerprint system for the Sheriff's Office, a pick-up truck and playground equipment for Parks, and the replacement of the 60 ton AC system in the Courts Building.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the County consists of the following components: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds and proprietary funds and other financial data.

Branch County, Michigan
Management's Discussion and Analysis
December 31, 2004

Government-wide Financial Statements (Reporting the County as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the County as a whole, and about its activities. Their purpose is to assist in answering the question, is the County, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 1) presents all of the County's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the County's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the County's net assets changed during 2004. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- **Governmental Activities** - Most of the County's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the County's general government departments, law enforcement, the courts, the Board of Commissioner operations, and other countywide elected official operations are reported under these activities. This also includes the special revenue funds such as the Commission on Aging and Friend of the Court Funds.
- **Business-type Activities** - These activities operate like private businesses. The County charges fees to recover the cost of the services provided. The Delinquent Tax Revolving Fund, County Medical Facility Fund, and Jail Inmate Commissary are examples of these activities.
- **Discretely Presented Component Units** - Discretely Presented Component units are legally separate organizations for which the Board of Commissioners appoints a majority of the organization's policy board and there is a degree of financial accountability to the County. Five organizations are included as component units: the Branch County Road Commission, Branch-Hillsdale-St. Joseph Community Health Agency, Drainage Districts, Board of Public Works, and the Community Health Center.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 5 and 8 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however depreciation expense is reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.

Branch County, Michigan
Management's Discussion and Analysis

December 31, 2004

- Long-term liabilities, such as reserves for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the County's general capital assets such as buildings, land, cars, computer equipment, etc. These values are not included in the fund financial statements.

Fund Financial Statements (Reporting the County's Major Funds)

The fund financial statements, which begin on page 3, provide information on the County's significant (major) funds, and aggregated nonmajor funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the County uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as the Commission on Aging and Child Care Fund; other funds are required by bond or grant agreements, such as the Friend of the Court Fund. Funds are also utilized to track specific operations; these include the internal services funds (e.g. Flexible Benefit Insurance Fund) as well as enterprise funds such as the Inmate Store and Tax Payment Funds.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for Branch County include the General Fund, the Revenue Sharing Reserve Fund, the Delinquent Tax Revolving Fund, the Emergency Services Fund, and the Medical Care Facility Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type. The County includes detailed information on its nonmajor funds in the other supplementary information section of this report.

The County's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

- **Governmental Funds** - Most of the County's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the County's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).
- **Proprietary Funds** - Services for which the County charges customers (whether outside the County structure or a County department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Medical Care Facility Fund. *Internal Service funds* report activities that provide supplies or service to the County's other operations, such as the Revolving Drain Equipment Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

Branch County, Michigan
Management's Discussion and Analysis
December 31, 2004

- **Fiduciary Funds** - The County acts as a trustee or fiduciary in certain instances. It is also responsible for other assets that, because of trust arrangements, can only be used for the trust beneficiaries. The County's fiduciary activities are reported in separate statements of Fiduciary Net Assets and Changes in Plan Net Assets on pages 19 and 20. These funds, which include trust and agency funds and the Pension Fund, are reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the County to fund its operations.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 24 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue fund.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for nonmajor governmental, proprietary, and fiduciary funds. These funds, except for the fiduciary funds, are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

As previously stated, Branch County's combined net assets were \$28,002,482 at the end of this fiscal year's operations. The net assets of the governmental activities were \$13,400,037; the business type activities were \$14,602,445.

Net Assets as of December 31, 2003 and 2004

	Governmental Activities 2003	Governmental Activities 2004	Business Type Activities 2003	Business Type Activities 2004	Total Primary Government 2003	Total Primary Government 2004
Current and Other Assets	\$ 10,368,126	\$ 10,462,077	\$ 8,141,626	\$ 4,459,572	\$ 18,509,752	\$ 14,921,649
Noncurrent Assets	<u>20,064,830</u>	<u>20,731,873</u>	<u>7,773,418</u>	<u>10,824,944</u>	<u>27,838,248</u>	<u>31,556,817</u>
Total Assets	<u>\$30,432,956</u>	<u>\$31,193,950</u>	<u>\$15,915,044</u>	<u>\$15,284,516</u>	<u>\$ 46,348,000</u>	<u>\$ 46,478,466</u>
Current Liabilities	\$ 1,707,766	\$ 1,476,317	\$ 452,205	\$ 286,840	\$ 2,159,971	\$ 1,763,157
Noncurrent Liabilities	<u>18,360,894</u>	<u>16,317,596</u>	<u>376,999</u>	<u>395,231</u>	<u>18,737,893</u>	<u>16,712,827</u>
Total Liabilities	<u>\$20,068,660</u>	<u>\$17,793,913</u>	<u>\$ 829,204</u>	<u>\$ 682,071</u>	<u>\$ 20,897,864</u>	<u>\$ 18,475,984</u>
Net Assets						
Invested in Capital Assets (Net of related debt)	\$ 8,573,523	\$ 9,730,704	\$ 4,762,336	\$ 4,421,246	\$ 13,335,859	\$ 14,151,950
Restricted	487,674	1,937,100	36,564	24,841	524,238	1,961,941
Unrestricted	<u>1,303,099</u>	<u>1,732,233</u>	<u>10,286,940</u>	<u>10,156,358</u>	<u>11,590,039</u>	<u>11,888,591</u>
Total Net Assets	<u>\$10,364,296</u>	<u>\$13,400,037</u>	<u>\$15,085,840</u>	<u>\$14,602,445</u>	<u>\$ 25,450,136</u>	<u>\$ 28,002,482</u>

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the County's primary government net assets changed during the fiscal year:

Branch County, Michigan
Management's Discussion and Analysis
December 31, 2004

Changes in Net Assets for the Fiscal Year Ending December 31, 2003 and 2004

	Governmental Activities 2003	Governmental Activities 2004	Business Type Activities 2003	Business Type Activities 2004	Total 2003	Total 2004
Revenues						
Charges for Services	\$ 4,877,492	\$ 4,871,913	\$ 7,160,179	\$ 7,408,173	\$ 12,037,671	\$ 12,280,086
Grants and Contributions	2,644,138	3,308,227	10,019,286	4,868,075	12,663,424	8,176,302
General Revenues						
Property Taxes	6,977,403	9,021,249	-	-	6,977,403	9,021,249
State Shared Revenue	766,783	382,801	-	-	766,783	382,801
Investment Earnings	141,674	121,376	170,785	161,180	312,459	282,556
Miscellaneous	341,821	312,719	5,240	4,611	347,061	317,330
Total Revenues	15,749,311	18,018,285	17,355,490	12,442,039	33,104,801	30,460,324
Expenses						
General Government	6,272,569	6,316,489	-	-	6,272,569	6,316,489
Public Safety	4,069,364	4,354,429	-	-	4,069,364	4,354,429
Public Works	242,515	311,421	-	-	242,515	311,421
Health and Welfare	3,543,781	3,816,203	-	-	3,543,781	3,816,203
Community and Econ. Dev.	16,840	55,260	-	-	16,840	55,260
Recreation and Cultural	177,458	195,832	-	-	177,458	195,832
Other	933,742	995,030	17,331,248	12,313,003	18,264,990	13,308,033
Total Expenses	15,256,269	16,044,664	17,331,248	12,313,003	32,587,517	28,357,667
Excess (deficiency)	493,042	1,973,621	24,242	129,036	517,284	2,102,657
Transfers	193,158	612,431	(518,737)	(612,431)	(325,579)	-0-
Increase (decrease) in Net Assets	686,200	2,586,052	(494,495)	(483,395)	191,705	2,102,657
Net Assets - Beginning	9,678,096	10,364,296	15,580,335	15,085,840	25,258,431	25,450,136
Prior Period Adjustment	-	449,689	-	-	-	449,689
Net Assets - Ending	\$10,364,296	\$13,400,037	\$15,085,840	\$14,602,445	\$ 25,450,136	\$ 28,002,482

Governmental Activities:

The result of 2004 governmental activity was an increase of \$2,586,052 and a prior period adjustment of \$449,689 to lift net assets to \$13,400,037. Of the total governmental activities' net assets, \$9,730,704 is invested in capital assets less related debt, \$1,937,100 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the County government. The balance of \$1,732,233 is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue categories for governmental activities were property taxes at 50%, charges for services at 27%, and grants and contributions at 18%. The County levied six property tax millages for the 2003 tax levy which is recognized as revenue in 2004, one being for general government operations at 4.8445 mills, which is not assigned to any particular activity, one for 911 Operating at .7500 mills, one for commission of aging (operating) at .4730 mills, one for commission on aging (facility) at .2471 mills, one for Jail and Law Enforcement at .4943 mills, and one for veterans relief at .1000. Charges for services, which reimburse the County for specific activities, are the second largest source of governmental activity revenue. Examples include District Court fees and services, Clerk's Office filing fees, Register of Deeds filing fees, and inmate telephone charges. Grants and contributions are the third largest source of governmental activity revenue.

Branch County, Michigan
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Expenses:

General government is the largest governmental activity, expending \$6,316,489 of the \$16,044,664 governmental activities total and includes offices such as Circuit Court, District Court, Probate/Juvenile Court, Prosecuting Attorney, Board of Commissioners, Treasurer, Clerk, Register of Deeds, Elections and MSU Extension. Public Safety is the second largest area, expending \$4,354,429. Public Safety includes the Sheriff's Department administration, Road Patrol and Jail operations.

Business-type Activities:

Net assets in business-type activities decreased by \$483,395 during 2004. The majority of this decrease was a result of a decrease of \$398,441 in the Medical Care Facility Fund net assets.

Of the total business-type activities net assets, \$10.156 million is reported as unrestricted. However, it is important to note that although reported as unrestricted, many of these assets are anticipated to be designated through Board of Commissioners action to be spent on General Fund activities and self-funding of delinquent tax payments in future years.

FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR AND NON MAJOR FUNDS

As the County completed 2004, its governmental funds reported *combined* fund balances of \$4,354,858 a net increase of \$1,738,192, including prior period adjustments. The net changes are summarized in the following chart:

	General Fund	Revenue Sharing Reserve	Commission on Aging	Emergency Services	Nonmajor Governmental Funds
Fund Balance 12/31/03	\$ 1,180,809	\$ -0-	\$ 77,830	\$ 675,557	\$ 682,470
Prior period adjustment	\$ (1,200)	\$ -0-	\$ -0-	\$ -0-	\$ 1,200
Fund Balance 12/31/04	\$ 1,373,658	\$ 1,373,635	\$ 164,367	\$ 483,450	\$ 959,748
Net Change	\$ 194,049	\$ 1,373,635	\$ 86,537	\$ (192,107)	\$ 276,078

The General Fund balance increased by \$194,049. This is mainly due to less than anticipated expenditures from the contingency account. The Revenue Sharing Reserve Fund was established in 2004 with a year-end balance of \$1,373,635. The Commission on Aging Fund balance increased by \$86,537. The Emergency Services Fund decreased by \$192,107 mainly due to one-time planned capital outlay expenditures. The combined nonmajor funds increased by \$276,078 due mainly to increases of \$138,230 to the Parks Fund, \$76,889 to the Child Care Probate Fund, \$75,965 to the Commission on Aging Facility Fund, and \$56,159 to the Register of Deeds Automation Fund.

General Fund:

The General Fund is the chief operating fund of the County. Unless otherwise required by statute, contractual agreement or Board policy, all County revenues and expenditures are recorded in the General Fund. As of December 31, 2004, the General Fund reported a fund balance of \$1,373,658. This amount is an increase of \$194,049 from the fund balance of \$1,180,809 reported as of December 31, 2003. Of the total fund balance, \$323,521 is reserved, designated or earmarked for specific purposes.

Branch County, Michigan
Management's Discussion and Analysis
December 31, 2004

The General Fund 2004 revenues exceeded 2004 expenditures by \$194,049 however; the General Fund also supports the operations of other funds including the Child Care Funds, Friend of the Court, Circuit Court Law Library Fund, and the Airport Fund.

General Fund Budgetary Highlights:

Branch County's budget is a dynamic document. Although adopted in December (prior to the start of the year), the budget is frequently amended during the course of the year to reflect changing operational demands.

Actual General Fund revenue and other financing sources totaled \$11,340,370, \$145,585 above the final amended budget. There were some wide variations in individual revenue accounts reflecting the tightening national and local economy. Significantly, state revenue sharing-per capita payments were \$18,718 below budget due to the State of Michigan reducing payments in order to mitigate a portion of their budget shortfalls. Fortunately, the County received \$15,727 more revenue than anticipated in the Traffic and Safety Program due to the increased grant award.

The County's General Fund total expenditures and other financing uses budget was increased by \$62,803 (just slightly more than 1/2% above the original budget) during 2004. Amendments that increased costs to the general fund within the year included the wireless communication project between the Sheriff's Department, County Courts, and the Emergency/911 Center and increased levels of invoices for autopsies performed by the Medical Examiner's Office.

Actual County expenditures for 2004 were \$229,893 below budget. This is due to several reasons including:

- \$20,000 less than planned expenditures for personnel in the Sheriff's Department.
- \$24,000 less than planned expenditures for personnel in the Jail Operations Department.
- \$165,000 less than planned expenditures from the contingency account.

Revenue Sharing Reserve Fund:

As of the last quarter of 2004, the State eliminated State Shared Revenue payments to Counties. In its place Counties are allowed to move up the collection of the levied County allocated millage. Part of the early collection is placed in the Revenue Sharing Reserve Fund. Counties are then allowed to draw down these funds in lieu of receiving State Shared Revenue payments. As of December 31, 2004, the Revenue Sharing Reserve Fund reported a balance of \$1,373,635. Of the total fund balance, all \$1,373,635 is undesignated/unreserved.

Commission on Aging Fund:

The Branch County Commission on Aging through the New Horizons Senior Center provides a variety of health and recreation services and activities for the betterment of the senior citizens of the County. Funding is received through sources that include county millage, state and federal grants, and fees and donations generated locally. As of December 31, 2004, the Commission on Aging Fund reported a balance of \$164,367, an increase of \$86,537 from the prior year. Of the total balance, all \$164,367 is undesignated/unreserved.

Emergency Services Fund:

Emergency Services Fund includes a 24-hour a day; 7 days a week central dispatch facility as well as the County's emergency management response. This department answers all emergency and non-emergency calls for service for police, fire, and EMS in Branch County. The program is primarily funded by a millage. As of December 31, 2004, the Emergency Services Fund reported a fund balance of \$483,450, a decrease of \$192,107 from the prior year. Of the total fund balance, all \$483,450 is undesignated/unreserved.

Branch County, Michigan
Management's Discussion and Analysis
December 31, 2004

Significant Changes - Other Major Funds:

GASB Statement No. 34 requires that funds designated as "major" be presented as a separate column on the face of the financial statements. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The County's Revenue Sharing Reserve Fund and Commission on Aging Fund were considered major funds in 2004, but they were not considered major in 2003.

CAPITAL ASSETS ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2004, the County had invested \$25,006,133 for the primary government and \$14,910,921 for the component units (excluding the Road Commission and Community Mental Health Services, see separately issued financial statements), net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$14,601,635 for the primary government. Depreciation charges for the fiscal year totaled \$1,664,522 for the primary government and \$482,776 for the component units.

	Governmental Activities	Business- type Activities	Component Unit Drains	Component Unit Board of Public Works	Total
Land	\$ 1,050,554	\$ -	\$ -	\$ 1,096,843	\$ 2,147,397
Land improvements, net	1,548,059	245,927	-	-	1,793,986
Buildings, net	13,096,049	3,796,584	-	3,071,290	19,963,923
Equipment, net	4,530,304	378,735	-	253,923	5,162,962
Vehicles, net	359,921	-	-	222	360,143
Drains, net	-	-	1,657,194	-	1,657,194
Sewer, net	-	-	-	8,831,449	8,831,449
Capital assets, net	<u>\$ 20,584,887</u>	<u>\$ 4,421,246</u>	<u>\$ 1,657,194</u>	<u>\$13,253,727</u>	<u>\$ 39,917,054</u>

BRANCH COUNTY GOVERNMENT ECONOMIC OUTLOOK:

- State revenue sharing has been eliminated due to state budget problems.
- Other state and federal revenues and/or grants are stagnant.
- Property tax revenue is not rising as rapidly as in past years.
- Investment earnings are near historically low levels.
- Health and dental insurance premiums are rising much faster than the rate of inflation.
- Liability insurance premiums are rising much faster than the rate of inflation.
- Utility costs are rising faster than the rate of inflation.

These factors were considered in adopting the Budget for 2005. A usage of \$197,000 of the County's limited fund balance was included to balance the General Fund Budget. The County continues to look for ways to increase efficiencies and reduce the cost of doing business.

CONTACTING THE COUNTY

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Branch County Treasurer's Office at (517) 279-4321 or Branch County Administrator's Office at (517) 279-4301.

BASIC FINANCIAL STATEMENTS

Branch County, Michigan

STATEMENT OF NET ASSETS

December 31, 2004

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current assets				
Cash and cash equivalents	\$ (1,193,847)	\$ 2,604,389	\$ 1,410,542	\$ 6,684,085
Investments	3,465,082	152,282	3,617,364	344,174
Restricted investments	-	-	-0-	5,090,679
Receivables	7,408,478	1,650,183	9,058,661	15,346,199
Inventories	6,940	-	6,940	603,634
Prepaid expenses	-	52,718	52,718	-
Other current assets	-	-	-0-	2,190,632
Internal balances	(4,138)	-	(4,138)	4,138
Due from fiduciary funds	35	-	35	-
Due from other governmental units -				
Local	136	-	136	-
Federal/State	779,391	-	779,391	-
Total current assets	10,462,077	4,459,572	14,921,649	30,263,541
Noncurrent assets				
Restricted cash and cash equivalents	-	868,622	868,622	-
Restricted investments	-	1,800,275	1,800,275	2,038,470
Noncurrent investments	-	3,734,801	3,734,801	-
Lease receivable	-	-	-0-	4,895,000
Advance to component units	144,000	-	144,000	(144,000)
Advance to fiduciary funds	2,986	-	2,986	-
Capital assets, net	20,584,887	4,421,246	25,006,133	63,750,022
Other noncurrent assets	-	-	-0-	676,781
Total noncurrent assets	20,731,873	10,824,944	31,556,817	71,216,273
TOTAL ASSETS	31,193,950	15,284,516	46,478,466	101,479,814
LIABILITIES				
Current liabilities				
Accounts payable	240,429	98,249	338,678	1,997,975
Accrued payroll	159,968	63,449	223,417	107,729
Other accrued liabilities	86,081	44,881	130,962	2,917,024
Due to other governmental units	82,338	22,950	105,288	-
Payable from restricted assets-				
due to patients	-	13,396	13,396	-
Short-term debt	-	-	-0-	375,915
Current portion of compensated absences	63,516	43,915	107,431	181,049
Current portion of long-term debt	843,985	-	843,985	702,290
Total current liabilities	1,476,317	286,840	1,763,157	6,281,982
Noncurrent liabilities				
Deferred revenue	5,668,754	-	5,668,754	141,430
Advance from other governmental units	67,000	-	67,000	-
Compensated absences	571,644	395,231	966,875	41,193
Noncurrent portion of long-term debt	10,010,198	-	10,010,198	8,757,655
Total noncurrent liabilities	16,317,596	395,231	16,712,827	8,940,278
TOTAL LIABILITIES	17,793,913	682,071	18,475,984	15,222,260
NET ASSETS				
Invested in capital assets, net of related debt	9,730,704	4,421,246	14,151,950	58,471,850
Restricted for:				
Public safety	74,782	-	74,782	-
Debt service	-	-	-0-	687,422
Other purposes	1,862,318	24,841	1,887,159	2,559,515
Unrestricted	1,732,233	10,156,358	11,888,591	24,538,767
TOTAL NET ASSETS	\$ 13,400,037	\$ 14,602,445	\$ 28,002,482	\$ 86,257,554

See accompanying notes to financial statements.

Branch County, Michigan
STATEMENT OF ACTIVITIES
Year Ended December 31, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 6,316,489	\$ 2,697,690	\$ 1,583,522	\$ 282,545	\$ (1,752,732)	\$ -	\$ (1,752,732)
Public safety	4,354,429	881,991	372,671	311,541	(2,788,226)	-	(2,788,226)
Public works	311,421	-	-	-	(311,421)	-	(311,421)
Health and welfare	3,816,203	810,221	757,948	-	(2,248,034)	-	(2,248,034)
Community and economic development	55,260	-	-	-	(55,260)	-	(55,260)
Recreation and cultural	195,832	310,229	-	-	114,397	-	114,397
Other	628,142	-	-	-	(628,142)	-	(628,142)
Interest on long-term debt	366,888	171,782	-	-	(195,106)	-	(195,106)
Total governmental activities	16,044,664	4,871,913	2,714,141	594,086	(7,864,524)	-0-	(7,864,524)
Business-type activities:							
Delinquent tax revolving	7,289	426,749	-	-	-	419,460	419,460
Medical care facility	12,224,560	6,903,170	4,868,075	-	-	(453,315)	(453,315)
Jail commissary	81,154	78,254	-	-	-	(2,900)	(2,900)
Total business-type activities	12,313,003	7,408,173	4,868,075	-0-	-0-	(36,755)	(36,755)
Total primary government	\$ 28,357,667	\$ 12,280,086	\$ 7,582,216	\$ 594,086	(7,864,524)	(36,755)	(7,901,279)
Component units:							
Road Commission	\$ 6,623,853	\$ 2,387,682	\$ 4,689,431	\$ 366,913	-	-	-0-
Branch - Hillsdale -St. Joseph							820,173
Community Health Agency	6,628,490	901,151	4,707,474	-	-	-	-0-
Drainage Districts	585,040	-	-	296,470	-	-	(1,019,865)
Board of Public Works	986,849	522,410	-	98,069	-	-	(288,570)
Community Health Center	51,063,355	51,461,929	797,697	-	-	-	(366,370)
Total component units	\$ 65,887,587	\$ 55,273,172	\$ 10,194,602	\$ 761,452	-0-	-0-	-0-
							341,639
General revenues:							
Property taxes					9,021,249	-	9,021,249
State shared revenue					382,801	-	382,801
Investment earnings					121,376	161,180	282,556
Appropriations					-	-	-0-
Cigarette tax					-	-	-0-
Miscellaneous					333,187	4,611	337,798
Special item - Loss on disposal of assets					(20,469)	-	(20,469)
Transfers					612,431	(612,431)	-0-
Total general revenues, special item, and transfers					10,450,576	(446,640)	10,003,936
Change in net assets					2,586,052	(483,395)	2,102,657
Net assets, beginning of the year					10,364,296	15,085,840	25,450,136
Prior period adjustment					449,689	-	449,689
Net assets, end of the year					\$ 13,400,037	\$ 14,602,445	\$ 28,002,482
							\$ 86,257,554

See accompanying notes to financial statements.

Branch County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2004

	General	Revenue Sharing Reserve	Commission on Aging
ASSETS			
Cash and cash equivalents	\$ (2,709,746)	\$ -	\$ 170,570
Investments	3,465,082	-	-
Accounts receivable	13,281	-	10,483
Taxes receivable	3,450,199	1,712,173	767,237
Loans receivable	-	-	-
Inventories	-	-	-
Due from other funds	372,215	-	5,199
Due from fiduciary funds	35	-	-
Due from other governmental units -			
Local	136	-	-
Federal/State	239,054	-	-
Advances to other funds	160,000	-	-
Advance to fiduciary funds	2,986	-	-
Advance to component units	144,000	-	-
TOTAL ASSETS	\$ 5,137,242	\$ 1,712,173	\$ 953,489
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 95,353	\$ -	\$ 14,344
Accrued payroll	121,189	-	7,005
Other accrued liabilities	14,505	-	536
Due to other funds	-	338,538	-
Due to other governmental units	82,338	-	-
Advances from other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	3,450,199	-	767,237
TOTAL LIABILITIES	3,763,584	338,538	789,122
FUND BALANCES			
Reserved for:			
Inventories	-	-	-
Grant expenditures	-	-	-
Clock tower expenditures	-	-	-
Advances to component units			
and other funds	306,986	-	-
Remonumentation	16,535	-	-
Unreserved			
Designated for debt service	-	-	-
Undesignated, reported in:			
General fund	1,050,137	-	-
Special revenue funds	-	1,373,635	164,367
TOTAL FUND BALANCES	1,373,658	1,373,635	164,367
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,137,242	\$ 1,712,173	\$ 953,489

See accompanying notes to financial statements.

Emergency Services	Nonmajor Governmental Funds	Total Governmental Funds
\$ 532,599	\$ 784,132	\$ (1,222,445)
-	-	3,465,082
1,762	4,181	29,707
799,114	633,075	7,361,798
-	16,973	16,973
-	3,155	3,155
-	30,625	408,039
-	-	35
-	-	136
45,517	494,820	779,391
-	-	160,000
-	-	2,986
-	-	144,000
<u>\$ 1,378,992</u>	<u>\$ 1,966,961</u>	<u>\$ 11,148,857</u>
\$ 78,841	\$ 51,891	\$ 240,429
13,491	18,283	159,968
1,032	1,398	17,471
3,065	66,436	408,039
-	-	82,338
-	150,000	150,000
-	67,000	67,000
799,113	652,205	5,668,754
895,542	1,007,213	6,793,999
-	3,155	3,155
-	66,097	66,097
-	6,783	6,783
-	-	306,986
-	-	16,535
-	140,094	140,094
-	-	1,050,137
483,450	743,619	2,765,071
483,450	959,748	4,354,858
<u>\$ 1,378,992</u>	<u>\$ 1,966,961</u>	<u>\$ 11,148,857</u>

Branch County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

December 31, 2004

Total fund balances - governmental funds \$ 4,354,858

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 30,406,189	
Accumulated depreciation is	<u>(9,821,302)</u>	
Capital assets, net		20,584,887

Internal Service Funds are used by management to charge the costs
of certain activities to individual funds. The assets and liabilities
of the Internal Service Funds are included in the governmental activities
in the Government-wide Statement of Net Assets

Net assets of governmental activities accounted for in Internal Service Funds	19,234	
Net capital assets of Internal Service Funds included in total capital assets above	<u>(989)</u>	
		18,245

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Direct County obligations	\$ 10,854,183	
Accrued interest payable	68,610	
Compensated absences	<u>635,160</u>	
		<u>(11,557,953)</u>

Net assets of governmental activities \$ 13,400,037

Branch County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2004

	General	Revenue Sharing Reserve	Commission on Aging
REVENUES			
Taxes	\$ 5,137,476	\$ 1,712,173	\$ 485,675
Licenses and permits	88,650	-	-
Intergovernmental	1,493,597	-	103,663
Charges for services	1,968,980	-	192,402
Fines and forfeits	131,995	-	-
Interest and rents	505,770	-	16,250
Other	512,783	-	4,888
TOTAL REVENUES	9,839,251	1,712,173	802,878
EXPENDITURES			
Current			
General government	5,027,286	-	-
Public safety	3,610,765	-	-
Public works	74,458	-	-
Health and welfare	639,593	-	804,512
Community and economic development	5,974	-	-
Recreation and cultural	2,000	-	-
Other	594,466	-	-
Capital outlay	-	-	11,890
Debt service	5,784	-	-
TOTAL EXPENDITURES	9,960,326	-0-	816,402
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(121,075)	1,712,173	(13,524)
OTHER FINANCING SOURCES (USES)			
Lease proceeds	20,468	-	-
Operating transfers in	1,497,970	-	100,061
Operating transfers out	(1,206,463)	(338,538)	-
Residual equity transfer in	3,149	-	-
Residual equity transfer out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	315,124	(338,538)	100,061
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	194,049	1,373,635	86,537
Fund balances, beginning of year	1,180,809	-	77,830
Prior period adjustments	(1,200)	-	-
Fund balances, end of year	\$ 1,373,658	\$ 1,373,635	\$ 164,367

See accompanying notes to financial statements.

Emergency Services	Nonmajor Governmental Funds	Total Governmental Funds
\$ 769,931	\$ 790,470	\$ 8,895,725
-	395,323	483,973
104,307	2,696,369	4,397,936
267,399	459,244	2,888,025
-	40,000	171,995
7,019	51,225	580,264
2,480	80,216	600,367
1,151,136	4,512,847	18,018,285
-	1,009,936	6,037,222
-	380,527	3,991,292
-	-	74,458
812,509	1,387,022	3,643,636
-	105	6,079
-	148,526	150,526
-	-	594,466
703,477	678,452	1,393,819
383,288	1,165,209	1,554,281
1,899,274	4,769,777	17,445,779
(748,138)	(256,930)	572,506
532,787	-	553,255
26,309	1,266,698	2,891,038
(3,065)	(730,541)	(2,278,607)
-	-	3,149
-	(3,149)	(3,149)
556,031	533,008	1,165,686
(192,107)	276,078	1,738,192
675,557	682,470	2,616,666
-	1,200	-0-
<u>\$ 483,450</u>	<u>\$ 959,748</u>	<u>\$ 4,354,858</u>

Branch County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2004

Net change in fund balances - total governmental funds **\$ 1,738,192**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 1,360,143	
Depreciation expense	<u>(1,285,664)</u>	
Excess of capital outlay over depreciation expense		74,479

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Net expense from governmental activities accounted for in Internal Service Funds	(284)	
Depreciation expense of Internal Service Funds included in the total above	<u>1,724</u>	
		1,440

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal and capital lease retirement	1,187,393	
Loan proceeds	(532,787)	
Capital lease proceeds	<u>(20,468)</u>	
		634,138

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Loss on disposal of assets	(1,125)	
Decrease in accrued interest payable	124,242	
Decrease in accrued compensated absences	<u>14,686</u>	
		<u>137,803</u>

Change in net assets of governmental activities **\$ 2,586,052**

See accompanying notes to financial statements.

Branch County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2004

	Business-type		
	Delinquent Tax Revolving	Medical Care Facility	Nonmajor Enterprise Fund (Jail Commissary)
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,722,549	\$ 826,242	\$ 55,598
Investments	-	152,282	-
Accounts receivable	659	367,723	-
Delinquent taxes receivable	1,281,801	-	-
Inventories	-	-	-
Prepaid expenses	-	52,718	-
Total current assets	3,005,009	1,398,965	55,598
Noncurrent assets			
Investments	3,734,801	-	-
Restricted cash and cash equivalents	-	868,622	-
Restricted investments	-	1,800,275	-
Capital assets, net	-	4,421,246	-
Total noncurrent assets	3,734,801	7,090,143	-0-
TOTAL ASSETS	6,739,810	8,489,108	55,598
LIABILITIES			
Current liabilities			
Accounts payable	828	92,686	4,735
Accrued payroll	-	63,449	-
Other accrued liabilities	1,392	43,489	-
Due to other governmental units - State	720	22,230	-
Due to component units	-	-	-
Payable from restricted assets - due to patients	-	13,396	-
Current portion of compensated absences	-	43,915	-
Total current liabilities	2,940	279,165	4,735
Noncurrent liabilities			
Advance from other funds	-	-	-
Noncurrent portion of compensated absences	-	395,231	-
Total noncurrent liabilities	-0-	395,231	-0-
TOTAL LIABILITIES	2,940	674,396	4,735

Activities	Governmental Activities
Total	Internal Service Fund (Revolving Drain Equipment)
\$ 2,604,389	\$ 28,598
152,282	-
368,382	-
1,281,801	-
-0-	3,785
52,718	-
4,459,572	32,383
3,734,801	-
868,622	-
1,800,275	-
4,421,246	989
10,824,944	989
15,284,516	33,372
98,249	-
63,449	-
44,881	-
22,950	-
-0-	4,138
13,396	-
43,915	-
286,840	4,138
-0-	10,000
395,231	-
395,231	10,000
682,071	14,138

Branch County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS - CONTINUED

December 31, 2004

	Business-type		
	Delinquent Tax Revolving	Medical Care Facility	Nonmajor Enterprise Fund (Jail Commissary)
NET ASSETS			
Invested in capital assets, net of related debt	\$ -	\$ 4,421,246	\$ -
Restricted for			
Memorials	-	24,841	-
Unrestricted			
Reserved for:			
Capital asset replacement	-	2,580,347	-
Funded fringes	-	50,312	-
Tax administration	65,250	-	-
Unreserved	6,671,620	737,966	50,863
 TOTAL NET ASSETS	 \$ 6,736,870	 \$ 7,814,712	 \$ 50,863

See accompanying notes to financial statements.

Activities	Governmental Activities
Total	Internal Service Fund (Revolving Drain Equipment)
\$ 4,421,246	\$ 989
24,841	-
2,580,347	-
50,312	-
65,250	-
7,460,449	18,245
<u>\$ 14,602,445</u>	<u>\$ 19,234</u>

Branch County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2004

	Business-type		
	Delinquent Tax Revolving	Medical Care Facility	Nonmajor Enterprise Fund (Jail Commissary)
OPERATING REVENUES			
Sales	\$ -	\$ 3,164	\$ 78,254
Interest on taxes	289,471	-	-
Charges for services	132,043	6,848,955	-
Other	5,235	51,051	-
TOTAL OPERATING REVENUES	426,749	6,903,170	78,254
OPERATING EXPENSES			
Personal services	-	4,428,661	-
Fringe benefits	-	1,320,583	-
Operating supplies	1,452	484,494	80,904
Contractual services	-	354,974	-
Depreciation	-	378,858	-
Other	5,837	471,057	250
TOTAL OPERATING EXPENSES	7,289	7,438,627	81,154
OPERATING INCOME (LOSS)	419,460	(535,457)	(2,900)
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	110,917	50,263	-
Intergovernmental transfers in	-	4,868,075	-
Intergovernmental transfers out	-	(4,660,684)	-
Maintenance of effort	-	(124,547)	-
Memorial revenue	-	4,611	-
Memorial expense	-	(702)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	110,917	137,016	-0-
INCOME (LOSS) BEFORE TRANSFERS	530,377	(398,441)	(2,900)
TRANSFERS OUT	(612,431)	-	-
CHANGE IN NET ASSETS	(82,054)	(398,441)	(2,900)
Net assets, beginning of year	6,818,924	8,213,153	53,763
Net assets, end of year	<u>\$ 6,736,870</u>	<u>\$ 7,814,712</u>	<u>\$ 50,863</u>

See accompanying notes to financial statements.

Activities	Governmental Activities
Total	Internal Service Fund (Revolving Drain Equipment)
\$ 81,418	\$ -
289,471	-
6,980,998	-
56,286	2,570
7,408,173	2,570
4,428,661	-
1,320,583	-
566,850	-
354,974	-
378,858	1,724
477,144	1,310
7,527,070	3,034
(118,897)	(464)
161,180	180
4,868,075	-
(4,660,684)	-
(124,547)	-
4,611	-
(702)	-
247,933	180
129,036	(284)
(612,431)	-
(483,395)	(284)
15,085,840	19,518
<u>\$ 14,602,445</u>	<u>\$ 19,234</u>

Branch County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2004

	Business-type		
	Delinquent Tax Revolving	Medical Care Facility	Nonmajor Enterprise Fund (Jail Commissary)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 434,389	\$ 6,941,957	\$ 78,254
Cash paid to suppliers	(13,296)	(1,299,614)	(79,951)
Cash paid for employee benefits	-	(1,320,583)	-
Cash paid to employees	-	(4,585,769)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	421,093	(264,009)	(1,697)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Maintenance of effort	-	(124,547)	-
Memorial revenue	-	4,611	-
Memorial expense	-	(702)	-
Transfers out	(612,431)	-	-
Intergovernmental transfers in	-	4,868,075	-
Intergovernmental transfers out	-	(4,660,684)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(612,431)	86,753	-0-
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital acquisitions	-	(37,768)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(3,734,801)	(1,952,557)	-
Maturity of investments	5,236,236	1,170,252	-
Interest revenue	110,917	50,263	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,612,352	(732,042)	-0-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,421,014	(947,066)	(1,697)
Cash and cash equivalents, beginning of year	301,535	2,641,930	57,295
Cash and cash equivalents, end of year	<u>\$1,722,549</u>	<u>\$ 1,694,864</u>	<u>\$ 55,598</u>

See accompanying notes to financial statements.

Activities	Governmental Activities
Total	Internal Service Fund (Revolving Drain Equipment)
\$ 7,454,600	\$ 2,570
(1,392,861)	(798)
(1,320,583)	-
(4,585,769)	-
155,387	1,772
(124,547)	-
4,611	-
(702)	-
(612,431)	-
4,868,075	-
(4,660,684)	-
(525,678)	-0-
(37,768)	-
(5,687,358)	-
6,406,488	-
161,180	180
880,310	180
472,251	1,952
3,000,760	26,646
<u>\$ 3,473,011</u>	<u>\$ 28,598</u>

Branch County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2004

	Business-type		
	Delinquent Tax Revolving	Medical Care Facility	Nonmajor Enterprise Fund (Jail Commissary)
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 419,460	\$ (535,457)	\$ (2,900)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities			
Depreciation	-	378,858	-
Decrease in accounts receivable	39	38,787	-
Decrease in delinquent taxes receivable	7,601	-	-
Decrease in inventories	-	-	-
(Increase) in prepaid expenses	-	(3,868)	-
Increase (decrease) in accounts payable	(1,003)	7,209	1,203
(Decrease) in accrued payroll	-	(157,108)	-
Increase in other accrued liabilities	1,392	5,907	-
Increase (decrease) in due to other governmental units - State	(6,396)	1,663	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 421,093</u>	<u>\$ (264,009)</u>	<u>\$ (1,697)</u>

See accompanying notes to financial statements.

Activities	Governmental Activities
	Internal Service Fund (Revolving Drain Equipment)
Total	
\$ (118,897)	\$ (464)
378,858	1,724
38,826	-
7,601	-
-0-	512
(3,868)	-
7,409	-
(157,108)	-
7,299	-
(4,733)	-
<u>\$ 155,387</u>	<u>\$ 1,772</u>

Branch County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2004

	Agency Funds	Pension Fund
ASSETS		
Cash	\$ 1,611,259	\$ -
Investments	-	29,142,436
TOTAL ASSETS	<u>\$ 1,611,259</u>	<u>\$ 29,142,436</u>
LIABILITIES		
Undistributed collections payable	\$ 1,343,141	\$ -
Defendant bonds payable	186,511	-
Due to other governmental units		
Federal/State	41,655	-
Local	16,727	-
Due to individuals and agencies	20,204	-
Due to other funds	35	-
Advances from county funds	2,986	-
TOTAL LIABILITIES	<u>\$ 1,611,259</u>	<u>-0-</u>
NET ASSETS		
Held in trust for pension benefits		<u>29,142,436</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 29,142,436</u>

See accompanying notes to financial statements.

Branch County, Michigan

Pension Trust Fund

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended December 31, 2004

	Pension Fund
ADDITIONS	
Investment income	
Interest and dividends	\$ 24,618
Net increase in fair value of investments	<u>1,905,074</u>
Net investment income	1,929,692
Contributions	
Employer	482,832
Employee	<u>835,883</u>
Total additions	3,248,407
DEDUCTIONS	
Benefit payments	1,304,426
Administrative expenses	<u>83,450</u>
Total deductions	<u>1,387,876</u>
CHANGE IN NET ASSETS	1,860,531
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>27,281,905</u>
End of year	<u><u>\$ 29,142,436</u></u>

See accompanying notes to financial statements.

Branch County, Michigan

Component Units

COMBINING STATEMENT OF NET ASSETS

December 31, 2004

	Road Commission	Branch-Hillsdale- St. Joseph Community Health Agency	Community Health Center
ASSETS			
Current assets			
Cash and cash equivalents	\$ 507,569	\$ 885,693	\$ 4,051,343
Investments	-	-	-
Investments-restricted	-	-	5,090,679
Receivables	901,397	39,913	6,973,992
Due from other governmental units	-	261,120	-
Inventories	479,837	109,489	-
Current portion of lease receivable	-	-	-
Other current assets	-	21,968	2,168,664
Due from primary government	-	-	-
Total current assets	1,888,803	1,318,183	18,284,678
Noncurrent assets			
Investments - restricted	-	-	2,038,470
Noncurrent portion of lease receivable	-	-	-
Capital assets, net	27,756,360	20,352	21,062,389
Other noncurrent assets	-	-	676,781
Total noncurrent assets	27,756,360	20,352	23,777,640
TOTAL ASSETS	29,645,163	1,338,535	42,062,318
LIABILITIES			
Current liabilities			
Accounts payable	87,388	159,250	1,702,775
Accrued payroll	-	105,695	-
Other accrued liabilities	66,111	13,906	2,756,578
Short term debt	334,765	-	-
Current portion of compensated absences	35,000	146,049	-
Current portion of long-term debt	174,460	-	220,000
Total current liabilities	697,724	424,900	4,679,353
Noncurrent liabilities			
Deferred revenue	-	141,430	-
Advance from primary government	-	-	-
Noncurrent portion of compensated absences	-	41,193	-
Noncurrent portion of long-term debt	598,466	-	3,270,000
Total noncurrent liabilities	598,466	182,623	3,270,000
TOTAL LIABILITIES	1,296,190	607,523	7,949,353
NET ASSETS			
Invested in capital assets, net of related debt	27,301,658	20,352	16,526,139
Restricted for:			
Specific purposes	-	-	2,559,515
Debt service	-	-	-
Unrestricted	1,047,315	710,660	15,027,311
TOTAL NET ASSETS	\$ 28,348,973	\$ 731,012	\$ 34,112,965

See accompanying notes to financial statements.

Drainage Districts	Board of Public Works	Total Component Units
\$ 568,385	\$ 671,095	\$ 6,684,085
45,000	299,174	344,174
-	-	5,090,679
497,355	6,467,422	14,880,079
-	-	261,120
14,308	-	603,634
-	205,000	205,000
-	-	2,190,632
4,138	-	4,138
1,129,186	7,642,691	30,263,541
-	-	2,038,470
-	4,895,000	4,895,000
1,657,194	13,253,727	63,750,022
-	-	676,781
1,657,194	18,148,727	71,360,273
2,786,380	25,791,418	101,623,814
40,622	7,940	1,997,975
-	2,034	107,729
11,663	68,766	2,917,024
41,150	-	375,915
-	-	181,049
102,830	205,000	702,290
196,265	283,740	6,281,982
-	-	141,430
109,000	35,000	144,000
-	-	41,193
143,240	4,745,949	8,757,655
252,240	4,780,949	9,084,278
448,505	5,064,689	15,366,260
1,369,974	13,253,727	58,471,850
-	-	2,559,515
282,211	405,211	687,422
685,690	7,067,791	24,538,767
<u>\$ 2,337,875</u>	<u>\$ 20,726,729</u>	<u>\$ 86,257,554</u>

Branch County, Michigan

Component Units

STATEMENT OF ACTIVITIES

Year Ended December 31, 2004

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Road Commission	\$ 6,623,853	\$ 2,387,682	\$ 4,689,431	\$ 366,913	\$ 820,173	\$ -	\$ 820,173
Branch-Hillsdale-St. Joseph Community Health Agency	6,628,490	901,151	4,707,474	-	(1,019,865)	-	(1,019,865)
Drainage Districts	585,040	-	-	296,470	(288,570)	-	(288,570)
Board of Public Works	180,906	1,947	-	98,069	(80,890)	-	(80,890)
Total governmental activities	14,018,289	3,290,780	9,396,905	761,452	(569,152)	-0-	(569,152)
Business-type activities:							
Community Health Center	51,063,355	51,461,929	797,697	-	-	1,196,271	1,196,271
Board of Public Works	805,943	520,463	-	-	-	(285,480)	(285,480)
Total business-type activities	51,869,298	51,982,392	797,697	-0-	-0-	910,791	910,791
Total component units	\$ 65,887,587	\$ 55,273,172	\$ 10,194,602	\$ 761,452	(569,152)	910,791	341,639
General revenues:							
			Investment earnings		28,735	371,596	400,331
			County appropriations		942,373	-	942,373
			Cigarette tax		63,482	-	63,482
			Miscellaneous		23,763	2,301	26,064
			Total general revenues		1,058,353	373,897	1,432,250
			CHANGE IN NET ASSETS		489,201	1,284,688	1,773,889
			Net assets, beginning of year		37,769,503	46,599,040	84,368,543
			Prior period adjustments		115,122	-	115,122
			Net assets, end of year		\$ 38,373,826	\$ 47,883,728	\$ 86,257,554

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Branch, Michigan was incorporated in 1829, and covers an area of approximately 528 square miles with the County seat located in the City of Coldwater. The County operates under an elected Board of Commissioners and provides services to its more than 41,500 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County does not apply the Financial Accounting Standards Board's Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989. The County's more significant accounting policies are described below.

1. Financial Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity*; and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Branch County (primary government) and its component units. The component units described in Sections 2, 3, and 4 below should be included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities, are in substance part of the County's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

2. Blended Component Units

The Branch County Building Authority is governed by a four (4) member Board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Branch County Building Authority is reported as if it were part of the (blended) primary government because its sole purpose is to finance and construct the County's public buildings.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, Branch County remains financially accountable for these entities, or the nature and significance of the relationship between these entities and Branch County is such that exclusion of these entities would render the financial statements misleading or incomplete.

The Branch County Road Commission maintains local, state, and federal trunklines within Branch County. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, federal financial assistance, and contributions from other local governmental units within the County. The three (3) member Board of Road Commissioners are appointed by the Branch County Board of Commissioners. The Road Commission is financially accountable to the County due to all general long-term debt issuances excluding capital lease purchase agreements require County authorization. This component unit is audited individually and the financial statements of the Branch County Road Commission may be obtained from the administrative office of the Road Commission located at 23 E. Garfield, Coldwater, MI 49036, or from the Branch County Clerk's Office located within the County Government Complex.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - continued

The Branch County Board of Public Works (BPW) is a seven (7) member Board comprised of the Drain Commissioner and six (6) members appointed by the County Board of Commissioners. The BPW Board establishes policy and reviews operations of the BPW for the County Board of Commissioners. The BPW can acquire, improve, operate, and maintain water and sewage disposal systems for local units of government and has the responsibility of administering the various local unit public works construction projects and the associated debt service funds under the provision of Act 185 of the Public Acts of 1957. The Board of Public Works is financially accountable to the County because all general obligation bond issuances require County authorization and are backed by the full faith and credit of the County.

The Branch County Drainage Districts come under the jurisdiction of the Branch County Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Drain Commissioner has authority to spend up to \$2,500 per mile on drain maintenance and may borrow up to \$300,000 from any source to provide for maintenance of a drain without Board of Commissioner approval and without going through the Local Audit and Finance division, State of Michigan. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance. The Drainage Districts are financially accountable to the County because bond issuances greater than \$300,000 require County authorization and are backed by the full faith and credit of the County.

The Community Health Center (Hospital) was established by the County Board of Commissioners pursuant to provisions of Public Act 230, 1987. The corporation is managed by a nine (9) member Board of Trustees appointed by the County Board of Commissioners. Trustees can be removed by a majority vote of the County Board of Commissioners. The Board of Trustees may not sell, transfer, mortgage, or encumber any real estate without approval by the County Board of Commissioners. County Board of Commissioner approval is required for single capital expenditures in excess of \$500,000; incurrence of long-term indebtedness or refinancing of short-term indebtedness; sale, lease, transfer, exchange or other disposition of non-real estate assets in excess of \$1,000,000; and contracts with a hospital management corporation and others. The Hospital provides a short-term acute-care facility offering in-patient and outpatient health care services primarily to citizens of Branch County. This Component Unit is audited individually and complete financial statements of the Hospital may be obtained from the administrative office of the Hospital located at 274 E. Chicago Street, Coldwater, MI 49036, or from the Branch County Clerk's Office located within the County Government Complex.

The Economic Development Corporation (EDC), which was established pursuant to the provisions of Public Act 338 of 1974, as amended, is governed by a nine (9) person Board of Directors appointed by the County Board of Commissioners. The EDC may not issue debt without the County's approval and administers a significant amount of Federal economic development grant money which is received by the County.

The Economic Development Corporation had no financial activity for the year ended December 31, 2004, and had no assets or liabilities as of December 31, 2004. Accordingly, this report contains no financial statements of the Economic Development Corporation.

The Economic Development Fund, reported in the special revenue fund type, records transactions related to a loan of Federal funds to a local business, not financial transactions of the EDC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Joint Venture

The Branch-Hillsdale-St. Joseph Community Health Agency is a joint venture between Branch, Hillsdale, and St. Joseph Counties, and was established to provide public health services. The Community Health Agency Board has representation and provides services to Branch, Hillsdale, and St. Joseph Counties. Each County provides annual appropriations and passes through the statutory amounts of cigarette tax funding to subsidize operations. The current funding formula approved by the District Health Board requires Branch, Hillsdale, and St. Joseph Counties to provide 29, 30, and 41 percent, respectively. In addition, the treasury function for the District Health Department rests with the Branch County Treasurer. For this reason, the Community Health Agency is discretely presented in the Branch County financial statements. This component unit is audited individually and financial statements are issued under separate cover. The Branch-Hillsdale-St. Joseph Community Health Agency activities are reported on a fiscal year-end of September 30, 2004.

The financial statements of the Community Health Agency maybe obtained from the administrative office of the Agency located at 570 N. Marshall Road, Coldwater, Michigan 49036.

5. Related Organizations

Branch County in conjunction with the City of Coldwater entered into an agreement to create the Branch District Library. The District is a legally separate organization established to provide library services to residents of Branch County. On August 1991, voters approved a special mileage to fund the District Library.

The District consists of the entire geographic area of Branch County. It is governed by a seven (7) member Board; two (2) appointed by the City and five (5) appointed by the County. The County's accountability does not extend beyond this representation and making these appointments. The Board is empowered to propose and levy upon approval of the electors a tax for support of the District Library. It may also borrow money and issue bonds pursuant to the District Library Financing Act 265 of 1988. The District Library indemnifies and holds harmless the participating municipalities from all claims and liabilities. The County does levy a tax for the District; however, the County does not hold title to any of the District's assets, nor does it have rights to any surpluses or responsibility to finance any deficits of the District.

Branch County, in conjunction with four (4) other Counties, has entered into an agreement that created the Region Eight Substance Abuse Agency. This organization's Board is composed solely of the Kalamazoo County Board of Commissioners who handles all oversight functions of the Agency. The County's financial responsibility is to pass through 50% of the Convention and Tourism revenues received to the Commission. For the year ended December 31, 2004, the County passed through \$56,499.

The Branch Area Transit Authority (BATA) was established as a legally separate organization pursuant to Public Act 196 of 1986. The incorporating subdivisions include the City of Coldwater, Villages of Quincy, Sherwood and Union City, and Branch County.

The Authority is governed by an eight (8) person Board of Directors, three (3) selected by Branch County, two (2) by the City of Coldwater, and one (1) each by each of the Villages within the County. The County's accountability does not extend beyond this representation and making these appointments. The Board maintains its own accounting system; may employ a manager or executive director; adopt rules, regulations, and policies governing employees, property, and facilities; prepares an annual financial report; and adopts by-laws, policies, and procedures deemed necessary for conduct of business. The Authority is financed through grants from Federal and State government, fees from riders, contract users, contributions from governmental entities and other. The Authority currently receives a voter approved tax levy. The County does levy a tax for the Authority; however, the county does not hold title to any of the Authority's assets, nor does it have rights to any surpluses or responsibility to finance any deficits of the Authority.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Jointly Governed Organizations

Branch County, in conjunction with five (5) other Counties, has entered into an agreement that created the Southcentral Michigan Planning Commission. This organization's Board is composed of 12 members, of which one (1) is appointed by Branch County. The County's financial responsibility is to contribute a pro rata share of "local match" funds based on the proportion of State equalized valuation. For the year ended December 31, 2004, the County's contribution to the Commission was \$0.

Branch County, in conjunction with two (2) other Counties, has entered into a Joint Workforce Development Agreement for purposes of detailing and designating functions and responsibilities related to administration of job training and workforce development programs. Another agreement was also entered into to establish the Chief Elected Officials Board (CEOB), for which Branch County appoints two (2) of the seven (7) members, and also the Workforce Development Board (WDB), who are appointed by the CEOB.

These agreements also designate the Calhoun County Intermediate School District as "grant recipient" and "administrative entity" for operation of these programs. The District receives all related funding from State and Federal grants and, as a result, the County has no financial responsibility. The District is also fully responsible and indemnifies the County from potential liability for disallowed costs.

7. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the County's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Basis of Presentation - continued

The major funds of the County are:

- a. The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Revenue Sharing Reserve Fund was established in 2004 to account for the shift of State Revenue Sharing dollars from State to local funding.
- c. The Commission on Aging Fund accounts for the money used for planning and coordinating services for senior citizens.
- d. The Emergency Services Fund is used to account for expenditures incurred related to emergency services that are financed primarily through property taxes, state and federal grants, and user charges.
- e. The Medical Care Facility Fund is used to report activities related to providing long-term care services to County residents. These activities are financed primarily by user charges (Medicaid, Medicare, private, etc.).
- f. The Delinquent Tax Revolving Fund accounts for money advanced by the County to other local taxing units and various county funds to pay for their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties, and interest.

8. Measurement Focus

The government-wide, proprietary, and the pension fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for agency fiduciary funds since assets equal liabilities.

9. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Branch County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Basis of Accounting - continued

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

10. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in certificates of deposit, money markets, investment trust funds, and commercial paper with an original maturity of 90 days or less. The investment trust funds have the general characteristics of demand deposit accounts in that the County may deposit and withdraw additional cash at any time without prior notice or penalty.

11. Investments

Investments are reported at cost, which approximates fair value, except for the Pension securities, which are reported at fair value. Investments consist of Pension Fund securities, certificates of deposit, commercial paper, and U.S. Government Securities with an original maturity of over 90 days.

12. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and accounts receivable related to charges for services.

13. Inventories

The cost of inventory items in the primary government governmental funds is recorded as an expenditure at the time of purchase.

Inventories in the Plat Books (Special Revenue) Fund consist of plat books, Revolving Drain Equipment (Internal Service) Fund consist of materials and drain tiles, and Regular Drain (Component Unit Capital Project) Fund consists of materials and culvert. These items are valued at cost on a first-in/first-out basis.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Inventories - continued

Inventory in the Road Commission (component unit) consists of various operating parts, supplies, and road material, and the cost is recognized using the consumption method (inventories recorded as expenditures when they are used). Inventories are stated at average cost determined on a first-in, first-out method, except for road materials, which are determined on the average cost method, and are not in excess of fair value.

14. Restricted Assets

Certain revenues and resources in the proprietary fund types are classified as restricted assets on the balance sheet because their use is limited. The restricted assets of the County reported in the Medical Care Facility Fund represent accumulated funds required to be used for capital acquisitions by action of the Family Independence Agency Board, and patient trust deposits. The Community Health Center (component unit) holds restricted investments that were restricted by the donor for specific purposes.

15. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS - DRAINAGE DISTRICTS AND BOARD OF PUBLIC WORKS

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	5 - 50 years
Equipment and furniture	3 - 20 years
Vehicles	3 - 5 years
Drain infrastructure	40 years
Sewer systems	40 - 50 years

ROAD COMMISSION - COMPONENT UNIT

Capital assets, which include property, equipment and infrastructure assets (roads, bridges and similar items), are reported in the government-wide financial statements (statement of net assets and statement of changes in net assets). Capital assets are defined by the Branch County Road Commission as assets with an initial individual cost of more than \$1,000 and with an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. Capital Assets - continued

ROAD COMMISSION - COMPONENT UNIT - CONTINUED

Capital assets are recorded as capital expenditures at the time of purchase in the fund financial statements (statement of general fund revenues, expenditures and changes in fund balance) and are subsequently capitalized on the government-wide statements through an adjustment to the governmental fund (general fund) column.

The Uniform Accounting Procedures prescribed for Michigan County Road Commissions provide for recording depreciation in the General Operating Fund as a charge to various expense accounts and a credit to the depreciation contra expense account. Accordingly, the annual depreciation expense does not affect the available operating fund balance of the General Operating Fund.

Depreciation is recorded over the estimated useful lives (ranging from five to forty years) of the assets, using the sum-of-years digits method for road equipment and straight-line method for all other capital assets and infrastructure as follows:

Buildings and improvements	40 years
Equipment	5 - 10 years
Infrastructure	8 - 50 years

BRANCH-HILLSDALE-ST. JOSEPH COMMUNITY HEALTH AGENCY - COMPONENT UNIT

Capital assets include equipment and land improvements and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$1,000 or more, with estimated useful lives of more than one year. Capital assets are not recorded in the governmental fund. Instead, capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	7 years
Equipment	4 - 10 years

The Agency has no assets that would be classified as infrastructure assets.

COMMUNITY HEALTH CENTER - COMPONENT UNIT

Property and equipment are recorded at cost. Donations of property and equipment are recorded at fair market value at the date of donation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Land and improvements	3 - 25 years
Buildings and improvements	10 - 40 years
Furniture, fixtures, and equipment	6 - 20 years

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

16. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

17. Advances to Component Units

Long-term advances from some funds to component units are made to finance new activities during their initial operations and to finance capital acquisitions. The applicable fund balance is reserved in the fund financial statements for such advances to reflect the amount of fund balance not currently available for expenditure.

18. Accrued Compensated Absences

In accordance with the County personnel policies and/or contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested vacation and sick leave earned as of December 31, 2004, including related payroll taxes, is recorded in the government-wide financial statements.

19. Deferred Revenue

Deferred revenue consists of amounts related to long-term special assessment tax receivables recorded at the fund level that are not available to finance current period expenditures and are therefore deferred.

20. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds and component units, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

21. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the Fund financial statements. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The County employs the following procedures in establishing budgets:

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

21. Budgets and Budgetary Accounting - continued

- a. Prior to August 1, the County Finance Committee prepares and submits their proposed operating budgets for the calendar year commencing the following January 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is held to obtain taxpayers' comments.
- c. Prior to December 31, the budgets are legally enacted through passage of an annual budget resolution.
- d. The budgets are legally adopted at the activity level for the General Fund and the fund level for the Special Revenue fund. Budgetary transfers between funds, amendments to total fund budgets or salary lines and transfers of greater than \$10,000 are not permitted without Board approval. For control purposes, all funds' budgets are maintained at the activity and account level.
- e. Budgets for certain Capital Projects Funds are made on a project basis spanning more than one year.
- f. The County does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.
- g. Budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations that were adopted.

22. Federal Programs

Federal Programs are accounted for in the funds to which the programs pertain. The County has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

23. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The County utilizes various pooled cash accounts and investments for approximately forty (40) funds. The County's pooled cash and investments consist of a common checking account, money markets, savings, certificates of deposit, commercial paper, banker's acceptances, and investment trust funds.

The County's pooled cash and investments are utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds (except for the Delinquent Tax Revolving Funds), Internal Service Fund, Trust and Agency Funds, and Component Unit Funds. Each fund's portion of these pooled accounts is included in the cash, cash equivalents, and investments captions on the combined balance sheet and statement of net assets.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit and investment trust funds are separately held by several of the County's funds.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits, and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the federal loan mortgage corporation, federal national mortgage association, or government national mortgage association.

As of December 31, 2004, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking and savings	\$(624,878)	\$ 41,240
Certificates of deposit	<u>2,883,607</u>	<u>2,880,864</u>
TOTAL PRIMARY GOVERNMENT	2,258,729	2,922,104
COMPONENT UNITS		
Checking and savings	11,254,531	11,966,753
Certificates of deposit	<u>256,565</u>	<u>256,565</u>
TOTAL COMPONENT UNITS	11,511,096	12,223,318
FIDUCIARY FUNDS		
Checking	<u>1,611,259</u>	<u>1,633,797</u>
TOTAL REPORTING ENTITY	<u>\$15,381,084</u>	<u>\$16,779,219</u>

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of December 31, 2004, the primary government and component unit accounts were insured by the FDIC or FSLIC for \$463,802 and the amount of \$16,315,417 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the County held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

As of December 31, 2004, the carrying amounts and market values for each investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>
PRIMARY GOVERNMENT		
Insured or registered for which the securities are held by the County's agent not in the County's name		
U.S. Government Securities	\$ 2,682,638	\$ 2,682,712
Uncategorized pooled investment funds	<u>6,483,307</u>	<u>6,458,651</u>
TOTAL PRIMARY GOVERNMENT	9,165,945	9,141,363
COMPONENT UNITS		
Insured or registered for which the securities are held by the County's agent not in the County's name		
Commercial Paper	924,161	924,161
U.S. Government Securities	1,114,557	1,114,557
Uncategorized pooled investment funds	<u>343,924</u>	<u>343,924</u>
TOTAL COMPONENT UNITS	<u>2,382,642</u>	<u>2,382,642</u>
TOTAL REPORTING ENTITY	<u>\$11,548,587</u>	<u>\$11,524,005</u>

The investments in commercial paper are insured or registered, with securities held by National City, Fifth Third, Huntington Capital Corporation, Multi-Bank Securities, McDonald Investment, Inc., UBS Financial Services, and Smith-Barney-Division of Citigroup. The maximum insurance for investments with Smith-Barney-Division of Citigroup is provided by the Securities Investor Protection Act \$500,000; UBS Financial Services \$1,000,000; and Securities Investor Protection Corporation \$500,000. The maximum insurance for investments with NatCity Investments, Inc. is provided by the Securities Investor Protection Corporation \$500,000; and First Clearing - Safekeeping in the amount of \$99,500,000. The investments in GNMA's are not insured but are backed by the full faith and credit of the Federal Government. Investments in Municipal Securities other than GNMA are sponsored by agencies of the Federal Government, but are not insured or backed by the full faith and credit of the Federal Government. The maximum insurance for investments with Fifth Third is provided by Fifth Third Investment Services, Inc. in the amount of \$99,500,000; and the Securities Investor Protection Corporation \$500,000. Huntington Capital Corporation, Bearsterns Securities Corporation, and McDonald Investments, Inc. are also protected by the Securities Investor Protection Corporation in the amount of \$500,000.

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

The County has investments purchased for the County employee's Pension Trust Fund through John Hancock Insurance Company, and with one (1) bank and three (3) stockbrokerage companies for the other various investment types. Michigan Compiled Law, Section 38.1121, authorizes the County to invest pension assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types. As of December 31, 2004, the market value, which is the carrying amount of the pension trust plans assets, is \$29,142,436. The pension trust fund assets include uninsured and unregistered investments for which the securities are held, by the insurance carrier's trust departments but not in the County's name.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet and statement of net assets based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2004:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 1,410,542	\$ 6,684,085	\$ 1,611,259	\$14,796,565
Cash and cash equivalents - restricted	868,622	-	-	868,622
Investments	7,352,165	344,174	29,142,436	36,838,775
Investments - restricted	<u>1,800,275</u>	<u>7,129,149</u>	<u>-</u>	<u>3,838,745</u>
	<u>\$11,431,604</u>	<u>\$14,157,408</u>	<u>\$30,753,695</u>	<u>\$56,342,707</u>

The primary government cash and cash equivalents captions in the basic financial statements include \$6,930 in imprest cash. The Branch-Hillsdale-St. Joseph Community Health Agency portion of pooled cash and cash equivalents presented above are as of December 31, 2004. However, their financial statements of the Branch-Hillsdale-St. Joseph Community Health Agency have been presented as of September 30, 2004, which results in a timing difference of \$263,670 for the component units.

NOTE C: POOLING OF CASH AND INVESTMENTS AND CASH OVERDRAFT

The County utilizes pooled cash accounts for various funds. Cash overdrafts of individual funds as of December 31, 2004, are as follows:

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT			
General Fund	\$(3,155,675)	\$ 445,929	\$(2,709,746)
Special Revenue Funds			
Friend of the Court	(152,535)	6,000	(146,535)
Plat Books	(3,155)	-	(3,155)
Homeland Security Grant	(191,405)	-	(191,405)
Victim's Rights	(9,339)	-	(9,339)
Juvenile Day Care Program	(2,347)	-	(2,347)
Child Care - FIA	<u>(1,844)</u>	<u>-</u>	<u>(1,844)</u>
Total reporting entity	<u>\$(3,516,300)</u>	<u>\$ 451,929</u>	<u>\$(3,064,371)</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables related to the primary government at December 31, 2004:

Due to General Fund from:	
Revenue Sharing Reserve Fund	\$ 338,538
Nonmajor governmental funds	33,677
Fiduciary funds	<u>35</u>
	<u>\$ 372,250</u>
Due to Commission on Aging Fund from:	
Nonmajor governmental funds	<u>\$ 5,199</u>
Due to nonmajor governmental funds from:	
Emergency Services Fund	\$ 3,065
Other nonmajor governmental funds	<u>27,560</u>
	<u>\$ 30,625</u>
Due to component units from:	
Internal service funds	\$ 4,138
Other component units	<u>219,401</u>
	<u>\$ 223,539</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE E: ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable between the primary government and component units at December 31, 2004:

Advance to Component Unit:	
General Fund	<u>\$ 144,000</u>
Advance to nonmajor governmental funds:	
General Fund	<u>\$ 150,000</u>
Advance to internal service funds:	
General Fund	<u>\$ 10,000</u>
Advance to fiduciary funds:	
General Fund	<u>\$ 2,986</u>

The advance to the component unit was made to finance capital acquisitions. The advance to the nonmajor governmental fund was made to establish the fund in 2001. The advance to the Fiduciary Funds was to establish employee health benefit liabilities in the Trust and Agency Fund. The advance to the internal service fund was to finance major vehicle repairs.

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE F: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business type funds, and component units have been eliminated.

Transfer to General Fund:	
Revenue Sharing Reserve Fund	\$ 338,538
Nonmajor governmental funds	550,150
Delinquent Tax Revolving Fund	<u>612,431</u>
	<u>\$ 1,501,119</u>
Transfer to Commission on Aging Fund	
Nonmajor governmental funds	<u>\$ 100,061</u>
Transfer to Emergency Services Fund:	
General Fund	<u>\$ 26,309</u>
Transfer to nonmajor governmental funds:	
General Fund	\$ 1,180,154
Emergency Services Fund	3,065
Nonmajor governmental funds	<u>83,479</u>
	<u>\$ 1,266,698</u>

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004 was as follows:

Primary Government

	Restated Balance Jan. 1, 2004	Additions	Deletions	Balance Dec. 31, 2004
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 1,050,554	\$ -	\$ -	\$ 1,050,554
Capital assets being depreciated:				
Land improvements	1,528,414	300,506	-	1,828,920
Buildings and additions	20,123,184	-	-	20,123,184
Equipment and furniture	5,491,746	1,047,445	-	6,539,191
Vehicles	<u>901,877</u>	<u>12,192</u>	<u>(49,729)</u>	<u>864,340</u>
Subtotal	28,045,221	1,360,143	(49,729)	29,355,635
Less accumulated depreciation for:				
Land improvements	(200,717)	(80,144)	-	(280,861)
Buildings and additions	(6,438,464)	(588,671)	-	(7,027,135)
Equipment and furniture	(1,485,148)	(523,739)	-	(2,008,887)
Vehicles	<u>(459,913)</u>	<u>(93,110)</u>	<u>48,604</u>	<u>(504,419)</u>
Subtotal	<u>(8,584,242)</u>	<u>(1,285,664)</u>	<u>48,604</u>	<u>(9,821,302)</u>
Net capital assets being depreciated	<u>19,460,979</u>	<u>74,479</u>	<u>(1,125)</u>	<u>19,534,333</u>
Capital assets, net	<u>\$ 20,511,533</u>	<u>\$ 74,479</u>	<u>\$ (1,125)</u>	<u>\$ 20,584,887</u>

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE G: CAPITAL ASSETS - CONTINUED

Primary Government - continued

Depreciation expense was charged to the following governmental activities:

General government	\$ 393,403
Public safety	372,584
Public works	236,963
Health and welfare	188,227
Community and economic development	49,181
Recreation and cultural	<u>45,306</u>
Total depreciation expense	<u>\$ 1,285,664</u>

	Balance Jan. 1, 2004	Additions	Deletions	Balance Dec. 31, 2004
Business-type activities				
Land and improvements	\$ 587,975	\$ 5,801	\$ -	\$ 593,776
Buildings	7,332,476	26,684	-	7,359,160
Equipment	<u>1,243,360</u>	<u>5,283</u>	<u>-</u>	<u>1,248,643</u>
Totals at historical cost	9,163,811	37,768	-0-	9,201,579
Less accumulated depreciation for:				
Land and improvements	(321,684)	(26,165)	-	(347,849)
Buildings	(3,291,529)	(271,047)	-	(3,562,576)
Equipment	<u>(788,262)</u>	<u>(81,646)</u>	<u>-</u>	<u>(869,908)</u>
Total accumulated depreciation	<u>(4,401,475)</u>	<u>(378,858)</u>	<u>-0-</u>	<u>(4,780,333)</u>
Capital assets, net	<u>\$ 4,762,336</u>	<u>\$ (341,090)</u>	<u>\$ -0-</u>	<u>\$ 4,421,246</u>

Component Units

Component Unit - Drainage Districts
Governmental Activities

Drains	\$ 3,509,665	\$ 5,000	\$ -	\$ 3,514,665
Less accumulated depreciation for:				
Drains	<u>(1,702,170)</u>	<u>(155,301)</u>	<u>-</u>	<u>(1,857,471)</u>
Capital assets, net	<u>\$ 1,807,495</u>	<u>\$ (150,301)</u>	<u>\$ -0-</u>	<u>\$ 1,657,194</u>

Component Unit - Board of Public Works

Capital assets not being depreciated				
Land	\$ 1,096,843	\$ -	\$ -	\$ 1,096,843
Capital assets being depreciated				
Buildings	3,832,141	-	-	3,832,141
Equipment	706,069	-	-	706,069
Vehicles	20,684	-	-	20,684
Sewer	<u>10,937,341</u>	<u>-</u>	<u>-</u>	<u>10,937,341</u>
Subtotal	15,496,235	-0-	-0-	15,496,235

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE G: CAPITAL ASSETS - CONTINUED

Component Units - continued

	Balance Jan. 1, 2004	Additions	Deletions	Balance Dec. 31, 2004
Component Unit - Board of Public Works - continued				
Less accumulated depreciation for:				
Buildings	\$(678,600)	\$(82,251)	\$ -	\$(760,851)
Equipment	(430,530)	(21,616)	-	(452,146)
Vehicles	(20,019)	(443)	-	(20,462)
Sewer	(1,882,727)	(223,165)	-	(2,105,892)
Subtotal	(3,011,876)	(327,475)	-0-	(3,339,351)
Net capital assets being depreciated	12,484,359	(327,475)	-0-	12,156,884
Capital assets, net	\$ 13,581,202	\$(327,475)	\$ -0-	\$ 13,253,727
Component Unit - Road Commission				
Capital assets not being depreciated				
Land and improvements	\$ 46,464	\$ -	\$ -	\$ 46,464
Land Improvements - infrastructure	2,877,848	171,129	-	3,048,977
	2,924,312	171,129	-0-	3,095,441
Capital assets being depreciated				
Depletable assets	626,798	-	-	626,798
Buildings	1,289,406	-	48,748	1,240,658
Equipment				
Road	6,337,097	404,259	304,674	6,436,682
Shop	243,001	2,995	16,336	229,660
Office	108,532	4,270	23,860	88,942
Engineers	6,351	8,258	2,054	12,555
Yard and Storage	842,685	2,534	25,419	819,800
Infrastructure	42,499,830	2,645,405	-	45,145,235
	51,953,700	3,067,721	421,091	54,600,330
Accumulated depreciation and depletion				
Depletable assets	(534,558)	-	-	(534,558)
Buildings	(852,901)	(39,397)	48,748	(843,550)
Equipment				
Road	(4,880,722)	(555,950)	304,674	(5,131,998)
Shop	(200,231)	(12,633)	16,336	(196,528)
Office	(76,936)	(10,054)	23,860	(63,130)
Engineers	(6,350)	(266)	2,054	(4,562)
Yard and Storage	(507,485)	(46,839)	25,419	(528,905)
Infrastructure	(20,744,342)	(1,891,838)	-	(22,636,180)
	(27,803,525)	(2,556,977)	421,091	(29,939,411)
Capital assets being depreciated, net	24,150,175	510,744	-0-	24,660,919
Total capital assets, net	\$ 27,074,487	\$ 681,873	\$ -0-	\$ 27,756,360

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE G: CAPITAL ASSETS - CONTINUED

Component Units - continued

	Restated Balance Jan. 1, 2004	Additions	Deletions	Balance Dec. 31, 2004
Component Unit - Community Health Ctr.				
Land and improvements	\$ 2,317,323	\$ 68,703	\$ -	\$ 2,386,026
Buildings and improvements	28,277,127	101,180	(219,921)	28,158,386
Furniture, fixtures, and equipment	24,719,902	1,662,223	(91,356)	26,290,769
Construction in progress	<u>13,702</u>	<u>67,791</u>	<u>(48,937)</u>	<u>32,556</u>
Totals at historical cost	55,328,054	1,899,897	(360,214)	56,867,737
Less accumulated depreciation for:				
Land and improvements	(760,632)	(42,425)	-	(803,057)
Buildings and improvements	(13,759,814)	(1,263,280)	219,921	(14,803,173)
Furniture, fixtures, and equipment	<u>(18,624,100)</u>	<u>(1,666,374)</u>	<u>91,356</u>	<u>(20,199,118)</u>
Total accumulated depreciation	<u>(33,144,546)</u>	<u>(2,972,079)</u>	<u>311,277</u>	<u>(35,805,348)</u>
Capital assets, net	<u>\$ 22,183,508</u>	<u>\$ (1,072,182)</u>	<u>\$ (48,937)</u>	<u>\$ 21,062,389</u>
Component Unit - Branch-Hillsdale- St. Joseph Community Health Agency				
Equipment	\$ 135,142	\$ -	\$ -	\$ 135,142
Land Improvements	<u>22,723</u>	<u>-</u>	<u>-</u>	<u>22,723</u>
Totals at historical cost	157,865	-0-	-0-	157,865
Less accumulated depreciation for:				
Equipment	(114,713)	(10,693)	-	(125,406)
Land Improvements	<u>(10,821)</u>	<u>(1,286)</u>	<u>-</u>	<u>(12,107)</u>
Total accumulated depreciation	<u>(125,534)</u>	<u>(11,979)</u>	<u>-0-</u>	<u>(137,513)</u>
Capital assets, net	<u>\$ 32,331</u>	<u>\$ (11,979)</u>	<u>\$ -0-</u>	<u>\$ 20,352</u>

NOTE H: SHORT-TERM DEBT - COMPONENT UNITS

The short-term debt of the County consists of various drain notes issued for purposes of financing costs in connection with various drainage district construction and maintenance projects.

The drain notes are reported in the Drainage Districts Component Unit Drain Construction (Capital Projects) Fund and are detailed as follows:

Drain Note Number	Balance Dec. 31, 2004
#04-01	\$ 6,000
#04-02	2,500
#04-04	2,500
#04-07	2,500

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE H: SHORT-TERM DEBT - COMPONENT UNITS - CONTINUED

<u>Drain Note Number</u>	<u>Balance Dec. 31, 2004</u>
#04-09	\$ 10,000
#04-11	2,500
#04-13	2,500
#04-15	2,500
Murray	<u>10,150</u>
	<u>\$ 41,150</u>

NOTE I: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the County for the year ended December 31, 2004:

	<u>Restated Balance Jan. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2004</u>	<u>Amounts Due Within One Year</u>
PRIMARY GOVERNMENT					
Governmental Activities					
Direct County Obligations	\$11,365,000	\$ -	\$ 675,000	\$10,690,000	\$ 690,000
Capital leases	123,321	20,468	129,105	14,684	4,486
Installment loan	-	532,787	383,288	149,499	149,499
Compensated absences	<u>649,846</u>	<u>-</u>	<u>14,686</u>	<u>635,160</u>	<u>63,516</u>
	12,138,167	553,255	1,202,079	11,489,343	907,501
Business-type Activities					
Enterprise Fund					
Medical Care Facility					
Compensated absences	<u>418,854</u>	<u>20,292</u>	<u>-</u>	<u>439,146</u>	<u>43,915</u>
TOTAL PRIMARY GOVERNMENT	12,557,021	573,547	1,202,079	11,928,489	951,416
COMPONENT UNIT FUNDS					
Board of Public Works					
Sanitary sewer bonds	5,105,000	5,190,000	5,195,000	5,100,000	205,000
Drainage Districts					
Drain Notes	291,000	62,900	107,830	246,070	102,830
Community Health Center					
Hospital Revenue Bonds	3,700,000	-	210,000	3,490,000	220,000
Road Commission					
Installment lease purchase agreements	688,236	-	233,534	454,702	174,460
Compensated absences	<u>328,787</u>	<u>24,437</u>	<u>-</u>	<u>353,224</u>	<u>35,000</u>
Branch-Hillsdale-St. Joseph					
Community Health Agency					
Compensated absences	<u>192,714</u>	<u>-</u>	<u>5,472</u>	<u>187,242</u>	<u>146,049</u>
	10,305,737	5,277,337	5,751,836	9,831,238	883,339
Less deferred amounts:					
On refunding	<u>-</u>	<u>157,819</u>	<u>8,768</u>	<u>149,051</u>	<u>8,768</u>
TOTAL COMPONENT UNITS	<u>10,305,737</u>	<u>5,119,518</u>	<u>5,743,068</u>	<u>9,682,187</u>	<u>874,571</u>
TOTAL REPORTING ENTITY	<u>\$22,862,758</u>	<u>\$ 5,693,065</u>	<u>\$ 6,945,147</u>	<u>\$21,610,676</u>	<u>\$ 1,825,987</u>

Branch County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE I: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT

Direct County Obligations - County Building Authority Bonds

The Branch County Board of Commissioners is party to long-term lease agreements for rental of the Hospital, Medical Care Facility, Courthouse, and FIA buildings from the Branch County Building Authority. The lease agreements stipulate that the annual rentals be paid by the County to the Building Authority in amounts sufficient to meet the annual principal and interest on bonds, which shall be pledged exclusively for that purpose. When all debt has been retired for the buildings, the rentals will cease, title to the buildings will be transferred to the County, and any cash balances remaining with the Building Authority will be returned to the County.

Bonds payable at December 31, 2004 are as follows:

\$2,550,000 Branch County Building Authority Bonds (FIA Project) - Series 1998A, dated April 1, 1998, due in annual installments ranging from \$100,000 to \$200,000 through September 1, 2018, with interest ranging from 4.600 to 4.625 percent, payable semi-annually.	\$ 2,050,000
\$2,000,000 Branch County Building Authority Bonds (Human Services) - Series 1999, dated December 1, 1999, due in annual installments ranging from \$75,000 to \$100,000 through September 1, 2007, with interest ranging from 5.25 to 5.30 percent, payable semi-annually.	275,000
\$4,000,000 Branch County Building Authority Bonds (Hospital) - Series 2001, dated March 1, 2001, due in annual installments ranging from \$220,000 to \$380,000 through September 1, 2016, with interest ranging from 4.375 to 4.5 percent, payable semi-annually.	3,490,000
\$995,000 Branch County Building Authority Bonds (Commission on Aging) - Series 2001 A, dated June 1, 2001, due in annual installments ranging from \$35,000 to \$75,000 through September 1, 2021, with interest ranging from 3.75 to 5.25 percent, payable semi-annually.	905,000
\$2,750,000 Branch County Building Authority Refunding Bonds - Series 2002, dated April 1, 2002, due in annual installments ranging from \$105,000 to \$320,000 through September 1, 2017, with interest ranging from 3.5 to 4.75 percent, payable semi-annually.	2,340,000
\$1,750,000 Branch County Building Authority Bonds (Courthouse) - Series 2002, dated August 1, 2002, due in annual installments ranging from \$60,000 to \$135,000 through September 1, 2022, with interest ranging from 3 to 4.75 percent, payable semi-annually.	<u>1,630,000</u>
	<u>\$10,690,000</u>

Capital Leases

The County has entered into lease purchase agreements which qualify as capital leases for accounting purposes (title transfers to County) and therefore have been recorded at the present value of future minimum lease payments as of the date of inception. The following are additional details regarding the leases.

\$20,468 Branch County Parks Department capital lease payable, dated July 29, 2004, due in annual installments of \$5,784 through July 29, 2007 with interest of 8.50 percent, payable annually.	<u>\$ 14,684</u>
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NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE I: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Installment Loan

\$532,787 installment loan payable, dated May 10, 2004, due in one installment of \$149,499 on May 1, 2005.

\$ 149,499

Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$1,049,586 for vacation and sick, at December 31, 2004. Of this amount, \$439,146 has been accrued as a liability in the Medical Care Facility (Enterprise) Fund Balance Sheet. Of the remaining liability of \$635,160, \$63,516 has been recorded as a current liability and \$571,644 has been recorded as a noncurrent liability.

Advance Refundings - Prior

On April 1, 2002 the County defeased a portion of the 1999 Building Authority Bonds (Human Services) which are due and payable September 1, 2019. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The County issued Building Authority 2002 Refunding Bonds in the amount of \$2,750,000 to fund escrow amounts, pay the cost of issuance of the refunding bonds, and to pay the remaining balances of the 1990-1 Building Authority Bonds (Mental Health Building) and 1994 Building Authority Bonds (K.C.C. Project). Accordingly, the trust account assets and liabilities for the defeased bond are not included in the County's financial statements. At December 31, 2004, bonds due and payable September 1, 2019 for 1999 Building Authority Bonds (Human Services) in the amount of \$1,400,000 are considered defeased.

On April 2, 2001 the County defeased a portion of the 1998A Building Authority Bonds (FIA Project) which are due and payable September 1, 2018. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The County used remaining bond proceeds from the 1998A Building Authority Bonds (FIA Project) in the amount of \$201,879 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At December 31, 2004, bonds due and payable September 1, 2018 for the 1998A Building Authority Bonds (FIA Project) in the amount of \$190,000 are considered defeased.

COMPONENT UNIT - BOARD OF PUBLIC WORKS

Indirect County Obligations - Sanitary Sewer Bonds

The County has irrevocably pledged its full faith and credit as collateral for the following sanitary sewer system bonds. These projects are administered by the Branch County Board of Public Works for local municipalities. Payments by the municipalities to the County, in accordance with contractual agreements, along with assessments made against benefiting properties, provide the monies required to meet the principal and interest on the sewer system bonds.

Bonds payable at December 31, 2004, for the Sanitary Sewer System construction projects are as follows:

\$5,190,000 Branch County Sanitary Sewer System No. 2 Refunding Bonds (Coldwater and Long Lake Extensions), Series 2004, dated February 1, 2004, due in annual installments ranging from \$165,000 to \$315,000 through May 1, 2022, with interest of 2.25 to 4.75 percent, payable semi-annually.

\$ 5,035,000

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE I: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - BOARD OF PUBLIC WORKS - CONTINUED

Indirect County Obligations - Sanitary Sewer Bonds - continued

\$995,000 Branch County Sanitary Sewer System No. 2 Bonds (Coldwater and Long Lake Extensions), Series B, dated August 1, 1998, due in annual installments ranging from \$40,000 to \$80,000 through May 1, 2026, with interest ranging from 5.00 to 6.25 percent, payable semi-annually.

\$ 65,000

\$ 5,100,000

Advance Refunding - Prior

On November 15, 1999, the County defeased \$610,000 of the outstanding Sanitary Sewer Disposal System No. 2 bonds, dated August 1, 1996, maturing May 1, 2006 through May 1, 2016, by establishing an irrevocable trust with U.S. Government Securities sufficient to meet the annual installment principal obligations of \$610,000, and associated semi-annual interest payments. The funds used to fund these escrow amounts were from excess bond proceeds remaining after completion of the related construction project. Accordingly, the trust account assets and liabilities for the defeased portion of the bond issue are not included in the County's financial statements. At December 31, 2004, bonds outstanding of \$610,000 are considered defeased.

COMPONENT UNIT - DRAINAGE DISTRICTS

Drain Notes

The County has irrevocably pledged its full faith and credit as collateral for the following drain loans and notes. These projects are administered by the Branch County Drain Commission for various local drainage districts. The drain loans and notes were issued to finance the various Construction Funds for the purpose of paying costs in connection with various drainage district projects and are payable out of assessments to be made against the benefited properties.

Loan and notes payable at December 31, 2004, per respective Drain projects serviced from the Component Unit Funds are as follows:

Various drain notes due in various annual installments and interest rates through 2009.

\$ 246,070

COMPONENT UNIT - BRANCH-HILLSDALE-ST. JOSEPH COMMUNITY HEALTH AGENCY

Employees of the Branch-Hillsdale-St. Joseph Community Health Agency are granted vacation and personal leave in varying amounts based on length of service. Upon termination of employment, employees are paid accumulated vacation at full current rate of pay to a maximum of 360 hours, and accumulated personal leave at full current rate of pay of hours accumulated up to a maximum of 30 hours.

Accumulated vacation leave and personal pay represent a liability to the Agency, which is presented in a current and long term portion of the liability. For this reason, the total liability is reported in the government-wide financial statements represent a current liability of \$146,049 and noncurrent liability of \$41,193. Payments to employees for vacation leave and personal pay are recorded as expenditures when they are used and payments are actually made to the employees.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE I: LONG-TERM DEBT - CONTINUED**COMPONENT UNIT - COMMUNITY HEALTH CENTER**

Hospital Revenue Bonds, Series 2001, issued through the Branch County Building Authority, bearing interest ranging from 4.375 to 4.50 percent. Annual principal payments range from \$220,000 in 2005 to \$380,000 in 2016. Collateralized by a lease agreement on the building and surrounding land with the Authority and the County of Branch. In turn, the County subleases the building and land to the Hospital under the same terms. The Hospital makes payment directly to the Authority.

\$ 3,490,000**COMPONENT UNIT - ROAD COMMISSION**Lease Purchase Agreements

The Road Commission entered into four purchase agreements for certain equipment secured by the related equipment. Payment terms are as follows:

	<u>Annual Payments</u>	<u>Interest Rates</u>	<u>Final Payment</u>
4 trucks, 1 motor grader and asphalt plant refurbishment	\$102,714 - 136,860	3.5 %	5/07
Excavator	53,312	3.8 - 5.25	12/06

Accrued Sick and Vacation

After the first year of employment, employees can earn one week of vacation. Thereafter employees earn one additional day of vacation per year, until a limit of four weeks is reached. Vacation leave may be accumulated up to a maximum of one week over the annual allotment, as of the employee's anniversary date.

Sick leave is earned at the rate of 12 days per year; a maximum of 62.5 days may be accumulated.

Excess sick leave earned above 62.5 days is then converted into personal days. Personal days can be accumulated up to a maximum of 12 days and are paid off on the employee's anniversary date.

Vacation, sick, and personal pay is payable in full when employment ceases.

The annual requirements to pay the debt principal and interest outstanding for the following Bonds and Notes are as follows:

<u>Year Ending December 31,</u>	<u>Primary Government</u>			
	<u>Direct County Obligations</u>		<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 690,000	\$ 471,251	\$ 4,486	\$ 1,298
2006	735,000	442,975	4,883	901
2007	780,000	412,062	5,315	470
2008	805,000	379,067	-	-
2009	825,000	345,629	-	-
2010-2014	3,625,000	1,244,582	-	-
2015-2019	2,705,000	422,537	-	-
2020-2022	525,000	48,058	-	-
	<u>\$ 10,690,000</u>	<u>\$ 3,766,161</u>	<u>\$ 14,684</u>	<u>\$ 2,669</u>

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE I: LONG-TERM DEBT - CONTINUED

Year Ending December 31,	Component Units							
	Drainage Districts Drain Notes		Board of Public Works Sanitary Sewer Bonds		Road Commission Installment Lease		Community Health Hospital/Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Payment	Interest
2005	\$ 102,830	\$ 4,973	\$ 205,000	\$ 210,794	\$ 174,460	\$ 15,711	\$ 220,000	\$ 154,659
2006	92,580	8,265	265,000	203,918	180,992	9,180	230,000	145,034
2007	38,080	1,595	235,000	163,800	99,250	3,464	240,000	134,971
2008	7,580	3,634	275,000	157,081	-	-	250,000	124,471
2009	5,000	250	300,000	148,800	-	-	265,000	113,534
2010-2014	-	-	1,520,000	597,722	-	-	1,545,000	379,800
2015-2019	-	-	1,500,000	277,691	-	-	740,000	50,400
2020-2022	-	-	800,000	49,450	-	-	-	-
	<u>\$ 246,070</u>	<u>\$ 18,717</u>	<u>\$ 5,100,000</u>	<u>\$ 1,809,256</u>	<u>\$ 454,702</u>	<u>\$ 28,355</u>	<u>\$ 3,490,000</u>	<u>\$ 1,102,869</u>

NOTE J: EMPLOYEE RETIREMENT SYSTEM

RETIREMENT SYSTEM - COUNTY GENERAL, ROAD COMMISSION, AND COMMUNITY HEALTH CENTER PLAN DESCRIPTION

Branch County (primary government) and its component units (County Road Commission and the Community Health Center) contribute to the Branch County Pension Plan, which is a defined benefit, cost sharing, multiple employer retirement system covering substantially all of its employees. The plan is administered by Branch County, with investments purchased through John Hancock Insurance Company, one (1) bank and three (3) brokerage companies. To be eligible for the plan, an employee must be a regular full-time employee, have completed six (6) months of service, and make employee contributions. The County's contributions for the years ended December 31, 2004, 2003, and 2002 were based on the payroll for employees covered by the system as of December 31, 2003, 2002, and 2001. The covered payroll for 2003 was \$1,719,545; \$8,444,128; and \$6,082,283 for the County Road Commission, Community Health Center, and all other County employee groups, respectively. The covered payroll for 2002 was \$1,844,999; \$7,101,503; and \$7,247,607 for the County Road Commission, Community Health Center, and all other County employee groups, respectively. The covered payroll for 2001 was \$1,817,978; \$6,370,760; and \$7,026,459 for the County Road Commission, Community Health Center, and all other County employee groups, respectively. The total payroll for 2003 was \$1,943,676; \$20,190,035; and \$11,343,200 for the County Road Commission, Community Health Center, and all other County employee groups. The total payroll for 2002 was \$1,984,564; \$16,194,109; and \$12,604,413 for the County Road Commission, Community Health Center, and all other County employee groups, respectively. The total payroll for 2001 was \$1,982,129; \$17,712,445; and \$12,366,494 for the County Road Commission, Community Health Center, and all other County employee groups, respectively. The plan provides retirement benefits, as well as death and disability benefits in accordance with benefit provisions as adopted by the Branch County Board of Commissioners. Retirement benefits are based on service and compensation and vested after five (5) years of service. At December 31, 2003, membership consisted of 168 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 466 current active employees.

The obligation to contribute to and maintain the system for covered employees was established in the Branch County Pension Plan, as amended January 1, 1989, and requires a contribution from the employees of three (3) percent of the first \$4,800 of gross wages, plus five (5) percent of the remaining amount. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings. The actual employee contributions for the year ended December 31, 2003 were \$88,926; \$406,241; and \$367,566, these contributions representing 2.9, 4.8, and 7.8 percent of covered payroll for the County Road Commission, Community Health Center, and all other County employee groups, respectively.

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE J: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll
12/31/01	\$ 26,749,791	\$ 38,454,768	\$(11,704,977)	69.56 %	\$ 15,215,197	77 %
12/31/02	28,236,752	41,604,176	(13,367,424)	67.87 %	16,194,109	83 %
12/31/03	31,187,508	44,195,535	(13,008,027)	70.57 %	16,245,956	80 %

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended Dec. 31,	Annual Required Contribution	Percentage Contributed	Net Pension (Obligation)/Benefit
2001	\$ 755,088	98 %	\$(15,852)
2002	944,726	92 %	(74,958)
2003	1,119,640	100.6 %	7,464

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2003, the latest actuarial valuation, follows:

Actuarial cost method	Aggregate cost method
Amortization method	Level percent, closed
Remaining amortization period	*
Asset valuation method	*
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases attributable to inflation	4.5%
Cost of living adjustments	None

* Information not provided in actuarial valuation report

NOTE: The Aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities.

COMPONENT UNIT - BRANCH-HILLSDALE-ST. JOSEPH COMMUNITY HEALTH AGENCY

Plan Description

The Agency participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the Agency. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the Board of Public Health. The plan requires a contribution from the employees of three (3) percent of wages depending on the employee group covered. The Agency is required to contribute the remaining amounts necessary to fund the system.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE J: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

COMPONENT UNIT - BRANCH-HILLSDALE-ST. JOSEPH COMMUNITY HEALTH AGENCY - CONTINUED

Annual Pension Cost

For the year ended September 30, 2004, the Agency's annual pension cost of \$125,397 for the plan was equal to the Agency's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation and (c) additional salary increases ranging from 0% to 4.2% per year depending on age, seniority and merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five (5) year period.

Three (3) year trend information

	Year Ended December 31,		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
Actuarial value of assets	\$ 7,045,120	\$ 7,160,660	\$ 7,609,451
Actuarial accrued liability (AAL) (entry age)	5,544,070	6,810,239	7,328,279
Unfunded (overfunded) AAL	(1,501,050)	(350,421)	(281,172)
Funded ratio	127 %	105 %	104 %
Covered payroll	2,419,830	2,553,708	2,441,083
UAAL as a percentage of covered payroll	0 %	0 %	0 %

	Year Ended September 30,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Annual pension cost	\$ -0-	\$ 50,275	\$ 125,397
Percentage of APC contributed	N/A %	N/A %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

NOTE K: CONTINGENT LIABILITIES

The County participates in a number of Federal and State assisted grant programs that are subject to compliance audits. The Single Audit of the Federal Programs and the periodic program compliance audits of many of the State programs have not yet been completed or final resolution has not been received. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

A substantial portion of the Medical Care Facility's total patient revenues are for services provided to Medicare, Medicaid, and Blue Cross/Blue Shield of Michigan patients. Payments for these services are based upon allowable costs incurred and are subject to final audit by the intermediaries.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE L: ROAD COMMISSION FEDERAL GRANTS

Governmental and certain other entities which expend \$500,000 or more of direct federal dollars are subject to a single audit in accordance with the OMB Circular A-133. The Road Commission expended \$366,913 of federal/state dollars which were passed through and administered by the Michigan Department of Transportation. The passed through monies will be included in the State of Michigan's single audit.

NOTE M: RISK MANAGEMENT

PRIMARY GOVERNMENT

The County carries commercial insurance for the risk of loss due to workers' compensation claims.

The County is a voluntary member of the Michigan Municipal Risk Management Authority established pursuant to laws of the State of Michigan, which authorize local units of government to exercise jointly any power, privilege, or authority which each might exercise separately. The Authority administers a risk management fund providing Branch County with loss protection for general and auto liability, motor vehicle physical damage, and property. Membership of the Authority at December 31, 2004, was comprised of more than 280 units of government.

The administration of the Authority is directed by a nine member Board of Directors composed of municipal representatives from the membership elected by the membership. The Board establishes the general policy of the Authority, creates and publishes rules to be followed by the Manager and Board, and is empowered with the authority to impose sanctions or terminate membership. The County, by resolution of the County Board of Commissioners, has designated a representative to the Authority to be responsible for the execution of all loss control measures, to ensure the payment of all annual and supplementary or other payment requirements, to ensure the filing of all required reports, and to act as a liaison between the County and the Authority.

The Authority provides risk management, underwriting, reinsurance, and claim services with member contributions allocated to meet these obligations. The Authority has reserved fund balance to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that Branch County incurs a loss in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess.

As members of the State Pool, the County has no funds on deposit with the Authority and does not participate in the Authority's stop loss program. Under most circumstances, the County's maximum insurance limits and deductibles per occurrence are as follows:

	<u>Insurance Limit</u>	<u>Deductible</u>
General and auto liability	\$ 15,000,000	\$ 250
Motor vehicle physical damage	1,500,000	250
Property coverage	36,087,831	250

COMPONENT UNIT - ROAD COMMISSION

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for property, fleet, umbrella, errors and omissions, and dishonesty bond. The Road Commission participates in the Michigan County Road Commission Self-Insurance Pool for workers' compensation insurance. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE M: RISK MANAGEMENT - CONTINUED**COMPONENT UNIT - BRANCH-HILLSDALE-ST. JOSEPH COMMUNITY HEALTH AGENCY**

The Agency carries commercial insurance for the risk of loss due to workers' compensation claims.

The Agency also participates in a State pool, the Michigan Municipal Risk Management Authority, with other municipalities for property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Agency has no liability for additional assessments based on the claims filed against the pool nor do they have any rights to dividends.

COMPONENT UNIT - COMMUNITY HEALTH CENTER

The Hospital is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and dental benefits provided to employees. The Hospital has purchased commercial insurance for property loss, torts, errors and omissions, and employee injuries. The Hospital is self-insured for medical and dental benefits provided to employees. The Hospital has purchased a stop loss insurance policy to cover individual medical and dental claims in excess of policy limits. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Medical and Dental

The Hospital estimates the liability for medical and dental claims that have been incurred through the end of the fiscal year, including both claims that have been reported, as well as those that have not yet been reported. These estimates are recorded in accrued liabilities. Changes in the estimated liability for the past two years were as follows:

	<u>2004</u>	<u>2003</u>
Estimated liability - beginning of year	\$ 278,751	\$ 295,041
Claims incurred, including changes in estimates	2,023,640	1,773,464
Claim payments	<u>(2,070,788)</u>	<u>(1,789,754)</u>
Estimated liability - end of year	<u>\$ 231,603</u>	<u>\$ 278,751</u>

Malpractice

The Hospital is insured against potential professional liability claims under a claims-made policy, whereby only the claims reported to the insurance carrier during the policy period are covered regardless of when the incident giving rise to the claim occurred. Under the terms of the policy, the Hospital must pay a deductible towards the costs of litigating or settling any asserted claims. In addition, the Hospital bears the risk of the ultimate costs of any individual claim exceeding the policy limits for claims asserted in the policy year.

Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during the claims-made term, but reported subsequently, will be uninsured.

The Hospital is involved in certain legal actions arising from services provided to patients and additionally is aware of certain possible claims occurring prior to participation in the claims-made arrangement. Although the Hospital is unable to precisely estimate the ultimate cost of settlements of professional liability claims, provision is made for management's best estimate of losses for uninsured portions of pending claims. Management believes, after considering legal counsel's evaluations of all actions and claims, that insurance coverage and accruals for estimated losses are adequate to cover expected settlements.

Branch County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE N: PROPERTY TAXES AND TAXES RECEIVABLE

The County property tax is levied each December 1 on the taxable valuation of property located in the County as of the preceding December 31.

Although the County's 2004 ad valorem tax is levied and collectible on December 31, 2004, it is the County's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of County operations.

The 2004 taxable value of Branch County amounted to \$1,060,278,683 on which ad valorem taxes levied consisted of 4.8445 mills for general operations, 0.7201 mills for Commission on Aging, 0.7500 mills for Emergency 911 services, 0.4943 mills for the Jail, and 0.1000 mills for Veteran's relief.

The property taxes levied at December 1 are accrued as current taxes receivable with the appropriate deferral and are budgeted as revenue in the subsequent year in the General Fund; Jail Millage, Emergency Services, Commission on Aging, and Soldiers and Sailors (Special Revenue) Funds.

Taxes are collected by the various tax collecting units from the date of the levy to December 31, and remitted to the County through the Trust and Agency Fund for distribution to the General and Special Revenue Funds. These amounts have been reported as undistributed collections in the Trust and Agency Fund.

Taxes receivable recorded in the respective funds at December 31, 2004 are as follows:

Taxes Receivable	Special Revenue						Enterprise Delinquent Tax Revolving Funds	Total
	General	Revenue Sharing Reserve	Soldiers and Sailors	Jail Millage	Emergency Services	Commission on Aging		
Current	\$ 3,450,199	\$ 1,712,173	\$ 106,462	\$ 526,613	\$ 799,114	\$ 767,237	\$ -	\$ 7,361,798
Delinquent	-	-	-	-	-	-	1,281,801	1,281,801
	<u>\$ 3,450,199</u>	<u>\$ 1,712,173</u>	<u>\$ 106,462</u>	<u>\$ 526,613</u>	<u>\$ 799,114</u>	<u>\$ 767,237</u>	<u>\$ 1,281,801</u>	<u>\$ 8,643,599</u>

The delinquent portion of the taxes receivable represents unpaid real property taxes in the Delinquent Tax Revolving Funds.

By agreement with the various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1, and records a corresponding delinquent taxes receivable. Real property taxes not ultimately collected are charged back to the General, Special Revenue, and Debt Service Funds and all other taxing authorities affected. Past experience has indicated that such chargebacks should not be material and, as a result, there has been no establishment of an amount for uncollectible taxes receivable in any of the funds. This activity is accounted for in the Delinquent Tax Revolving Funds.

NOTE O: FUND EQUITY RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund equity indicates that portion of fund balance or net assets which the County has set aside for specific purposes. These reserves and designations are recorded at the fund level to indicate management plans for these funds.

Branch County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE O: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED

The following are the various fund balance reserves as of December 31, 2004:

PRIMARY GOVERNMENT

General Fund

Reserved for

Advances to component units and other funds

\$ 306,986

Remonumentation

16,535

323,521

Special Revenue Funds

Plat Book Fund

Reserved for inventories

3,155

Housing Commission Fund

Reserved for grant expenditures

66,097

Clock Tower Fund

Reserved for clock tower expenditures

6,783

76,035

TOTAL PRIMARY GOVERNMENT

399,556

COMPONENT UNITS

Drainage Districts

Capital Projects Funds

Regular Drain

Reserved for inventories

14,308

Debt Service Funds

Regular Drain

Reserved for debt service

263,539

Lake Level

Reserved for debt service

30,000

Marble Lake Level

Reserved for debt service

335

293,874

Board of Public Works

Debt Service Funds

Sewer #2 Refunding

Reserved for debt service

329,339

Coldwater/Long Lake Sewer Supplemental

Reserved for debt service

144,482

473,821

Road Commission

Reserved for inventories

479,837

TOTAL COMPONENT UNITS

1,181,840

TOTAL REPORTING ENTITY

\$ 1,581,396

Branch County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE O: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED

The following are the various net asset reserves at December 31, 2004:

PRIMARY GOVERNMENT	
Enterprise Funds	
Medical Care Facility Fund	
Reserved for	
Capital asset replacement	\$ 2,580,347
Funded fringes	50,312
Delinquent Tax Revolving	
Reserved for tax administration	<u>65,250</u>
	2,695,909
Fiduciary Funds	
Pension Trust Fund	
Reserved for employee retirement	<u>29,301,958</u>
TOTAL PRIMARY GOVERNMENT	31,997,867
COMPONENT UNITS	
Board of Public Works	
Enterprise Fund	
Sewer Fund	
Reserved for capital asset replacement	<u>253,272</u>
TOTAL REPORTING ENTITY	<u>\$32,251,139</u>

The following are the various fund balance designations as of December 31, 2004:

PRIMARY GOVERNMENT	
Special Revenue Funds	
Commission on Aging Facility	
Designated for debt service	\$ 140,000
Debt Service Funds	
Building Authority - Hospital	
Designated for debt service	<u>94</u>
TOTAL PRIMARY GOVERNMENT	140,094
COMPONENT UNITS	
Board of Public Works	
Special Revenue Funds	
Water and Sewer	
Designated for capital expenditures	33,306
Capital Projects Funds	
Lake Maintenance	
Designated for capital expenditures	<u>185,642</u>
	218,948

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE O: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED

COMPONENT UNITS - CONTINUED

Drainage Districts	
Capital Projects Funds	
Regular Drain	
Designated for capital expenditures	\$ 302,115
Lake Level	
Designated for capital expenditures	73,781
Hodunk/Messger Lake	
Designated for capital expenditures	<u>8,266</u>
	384,162
Branch-Hillsdale-St. Joseph Community Health Agency	
Designated for vacation and personal leave	<u>187,242</u>
TOTAL COMPONENT UNITS	<u>790,352</u>
TOTAL REPORTING ENTITY	<u>\$ 930,446</u>

NOTE P: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2004:

PRIMARY GOVERNMENT

Governmental Activities	
Public Safety	
Jail millage	<u>\$ 74,782</u>
Other Purposes	
Friend of the Court	\$ 24,692
Tax administration	123,399
Commission on Aging	164,367
Child Care - FIA	7,118
Commission on Aging facility	169,107
Revenue Sharing Reserve	<u>1,373,635</u>
	<u>\$ 1,862,318</u>
Business-type Activities	
Medical Care Facility Fund	
Restricted for memorials	<u>\$ 24,841</u>

COMPONENT UNITS

Community Health Center	
Restricted for specific purposes	\$ 2,559,515
Drainage Districts	
Restricted for debt service	282,211
Board of Public Works	
Restricted for debt service	<u>405,211</u>
TOTAL COMPONENT UNITS	<u>\$ 1,020,816</u>

Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE Q: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the required supplementary information to the financial statements, the County's budgeted expenditures in the General Fund and major Special Revenue Fund have been shown at the functional classification level. The approved budgets of the County have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended December 31, 2004, the County incurred expenditures in the General Fund, Revenue Sharing Reserve Fund, Emergency Service Fund, and nonmajor Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General Government			
Computer service	\$ 144,682	\$ 158,295	\$ 13,613
Payroll/accounts payable	99,248	102,241	2,993
Public Safety			
Sheriff reserve	3,641	3,666	25
Sheriff posse	1,605	1,815	210
Health and Welfare			
Medical examiner	38,840	46,265	7,425
Substance abuse	51,305	56,499	5,194
Other			
Professional services	108,353	120,894	12,541
Debt service	-	5,784	5,784
Other Financing Uses			
Soldiers and Sailors	4,500	4,922	422
Marriage Counseling	-	5,704	5,704
Plat Books	-	3,087	3,087
Juvenile Day Care	-	2,030	2,030
Veterans' Trust	-	147	147
MSU Grants	-	1,334	1,334
Revenue Sharing Reserve	-	338,538	338,538
Emergency Services Fund	1,518,003	1,899,274	381,271
Nonmajor Special Revenue Funds			
Marriage Counseling	5,200	11,485	6,285
Mental Health Building Maintenance	-	12,786	12,786
Solid Waste Management Planning	-	150	150
Animal Shelter	-	150	150
Juvenile Day Care Program	56,404	99,977	43,573
Local Corrections Officer Training	-	20	20
Housing Commission	22,200	166,479	144,279
Child Care - FIA	137,000	137,885	885
Veteran's Trust	2,140	4,175	2,035
Soldiers and Sailors	50,920	57,689	6,769

Branch County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE R: FUND DEFICITS

The following fund had a fund deficit at December 31, 2004:

Parks	\$ 14,686
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NOTE S: LEASE RECEIVABLE

The County has irrevocably pledged its full faith and credit as collateral for certain water and sewer system bonds. These projects are administered by the Branch County Drain Commission for local municipalities. Payments by the municipalities to the County, in accordance with contractual agreements, provide the monies required to meet the principal and interest on the water and sewer system bonds. All future amounts due for bond principal and an additional amount for the amount of accrued interest payable has been recorded as a lease receivable at the government-wide level based on guidance from MCGAA Statement 10, as amended. The receivable has been reported as current based on the amounts to be collected next year to satisfy obligations and amounts to be collected subsequently which have been reported as noncurrent.

NOTE T: PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made during the year, which were the result of corrections of accounting errors. These adjustments were reported as changes to beginning net assets and fund balances, respectively. The effect on operations and other affected balances for the current and prior year are as follows:

	December 31,		
	<u>2004</u>	<u>2003</u>	<u>Description</u>
PRIMARY GOVERNMENT			
Governmental Activities			
Capital assets, net	\$ -	\$ 449,689	
Net assets - beginning	449,689	-	Correct understatement of capital assets, net of Accumulated depreciation
COMPONENT UNITS			
Long-term debt	-	(78,250)	
Net assets - beginning	78,250	-	Correct overstatement of long-term debt
Inventory	-	36,872	
Net assets - beginning	36,872	-	Correct understatement of Road Commission parts inventory
PRIMARY GOVERNMENT			
General Fund			
Cash	-	(1,200)	
Fund balance - beginning	(1,200)	-	Correct overstatement of cash
Special Revenue Fund			
Friend of the Court			
Due to other governmental units	-	1,200	
Fund balance - beginning	1,200	-	Correct understatement of cash

REQUIRED SUPPLEMENTARY INFORMATION

Branch County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES

Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current and delinquent property taxes	\$ 4,868,900	\$ 4,900,192	\$ 4,890,193	\$ (9,999)
Tax reverted lands	100	-	-	-0-
Industrial and commercial facilities tax	74,000	77,352	77,352	-0-
Payments in lieu of taxes	3,000	6,112	6,112	-0-
Mobile home park taxes	4,000	4,579	3,827	(752)
Interest and penalties	300	306	306	-0-
Real estate transfer tax	125,000	159,686	159,686	-0-
Total taxes	5,075,300	5,148,227	5,137,476	(10,751)
Licenses and permits				
Dog licenses	65,000	72,749	72,749	-0-
Soil erosion permits	12,000	8,180	8,180	-0-
Marriage license fees	1,900	1,872	1,872	-0-
Gun permits	2,600	5,824	5,824	-0-
Transient merchant licenses	50	25	25	-0-
Total licenses and permits	81,550	88,650	88,650	-0-
Intergovernmental - Federal/State				
Cooperative reimbursement - Prosecutor	117,335	70,876	69,688	(1,188)
Probate Judge's salary	94,195	101,616	101,616	-0-
Judicial salary standardization	137,248	137,172	137,172	-0-
Juvenile Director's salary	28,511	20,488	27,317	6,829
Court equity	310,076	331,215	334,519	3,304
Traffic safety program	103,586	123,125	138,852	15,727
Marine safety program	25,990	25,873	25,873	-0-
District Court case flow assistance	12,500	13,516	13,516	-0-
State remonumentation	33,889	51,267	51,267	-0-
Convention and tourism tax	103,180	102,609	112,999	10,390
Cigarette tax	22,088	26,332	26,332	-0-
State revenue sharing	697,375	521,365	356,469	(164,896)
Single business tax	91,368	82,141	82,141	-0-
Liquor license fees	8,900	9,380	9,380	-0-
State election reimbursement	4,400	6,456	6,456	-0-
Total intergovernmental - Federal/State	1,790,641	1,623,431	1,493,597	(129,834)
Charges for services				
District Court costs	810,500	747,330	747,688	358
District Court services	310,000	329,220	329,220	-0-
Circuit Court costs	42,000	50,146	50,146	-0-

Branch County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES - CONTINUED				
Charges for services - continued				
Circuit Court services	\$ 11,680	\$ 28,583	\$ 28,583	\$ -0-
Probate Court services	33,500	34,880	34,880	-0-
Prosecuting Attorney services	4,150	5,091	5,156	65
Attorney services	3,000	1,365	1,365	-0-
County Treasurer services	5,100	27,245	27,245	-0-
County Clerk services	74,200	76,237	76,237	-0-
Register of Deeds services	290,000	233,423	233,423	-0-
General services	25,900	67,101	67,101	-0-
Sheriff department services	286,200	239,659	239,658	(1)
Sheriff department inspection fees	8,150	9,510	9,510	-0-
Care of prisoners	100,000	94,963	94,963	-0-
Animal shelter services	5,000	8,285	8,285	-0-
Equalization services	18,000	15,520	15,520	-0-
Total charges for services	2,027,380	1,968,558	1,968,980	422
Fines and forfeits				
Ordinance fines and costs	110,000	87,047	87,047	-0-
Bond forfeitures	31,500	44,948	44,948	-0-
Total fines and forfeits	141,500	131,995	131,995	-0-
Interest and rents				
Interest on investments	85,900	112,276	107,960	(4,316)
Rental fees	403,627	431,995	397,810	(34,185)
Total interest and rents	489,527	544,271	505,770	(38,501)
Other				
Sale of scrap	4,000	11,767	11,767	-0-
Insurance recoveries and refunds	124,000	163,563	153,663	(9,900)
Reimbursements and refunds				
General	52,300	77,876	77,597	(279)
Audit	14,000	14,000	15,730	1,730
Maintenance	34,500	40,312	34,564	(5,748)
Friend of the Court - Indirect costs	120,500	120,500	120,500	-0-
Pay phone commissions	75,000	55,530	55,530	-0-
Other	16,250	43,524	43,432	(92)
Total other	440,550	527,072	512,783	(14,289)
TOTAL REVENUES	10,046,448	10,032,204	9,839,251	(192,953)

Branch County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
OTHER FINANCING SOURCES				
Lease proceeds	\$ -	\$ -	\$ 20,468	\$ 20,468
Operating transfers from other funds				
Tax Administration	-	10,000	10,000	-
Delinquent Tax Revolving	612,431	612,431	612,431	-0-
Revenue Sharing Reserve	-	-	338,538	338,538
Jail Millage	475,000	537,001	537,001	-0-
Residual equity transfers in	-	3,149	3,149	-0-
TOTAL OTHER FINANCING SOURCES	<u>1,087,431</u>	<u>1,162,581</u>	<u>1,521,587</u>	<u>338,538</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 11,133,879</u>	<u>\$ 11,194,785</u>	<u>\$ 11,360,838</u>	<u>\$ 145,585</u>

Branch County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY

Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES				
General government				
Board of Commissioners	\$ 104,650	\$ 105,148	\$ 105,081	\$ 67
Circuit Court	189,928	190,406	185,248	5,158
District Court	934,455	952,043	941,858	10,185
Jury Board	2,634	4,242	4,242	-0-
State prisoner trials	5,250	4,142	4,142	-0-
Probate Court	666,705	662,254	649,405	12,849
County administrator	132,840	137,415	136,689	726
Elections	57,120	53,120	53,120	-0-
Computer service	121,385	144,682	158,295	(13,613)
Clerk	270,526	278,417	274,265	4,152
Payroll/accounts payable	96,038	99,248	102,241	(2,993)
Microfilm	13,596	13,850	13,520	330
Equalization	265,665	279,850	270,429	9,421
Prosecuting Attorney	553,563	533,299	529,822	3,477
Prosecutor - public defender	206,915	209,815	209,415	400
Register of Deeds	222,617	215,566	214,825	741
County survey and remonumentation	33,889	33,884	33,884	-0-
Treasurer	248,985	246,197	242,718	3,479
Cooperative extension	153,483	155,855	154,445	1,410
Building and grounds	487,882	495,917	479,768	16,149
Drain commissioner	119,721	114,636	113,171	1,465
General services	221,829	154,231	150,703	3,528
Total general government	5,109,676	5,084,217	5,027,286	56,931
Public safety				
Sheriff	1,482,807	1,544,463	1,525,179	19,284
Sheriff reserve	3,750	3,641	3,666	(25)
Sheriff posse	2,500	1,605	1,815	(210)
Traffic and safety program	122,845	124,218	122,293	1,925
Marine safety	48,142	49,601	49,601	-0-
Jail	1,926,440	1,798,108	1,773,989	24,119
Animal control	124,168	137,853	134,222	3,631
Total public safety	3,710,652	3,659,489	3,610,765	48,724
Public works				
Department of public works	9,402	8,714	8,714	-0-
Drains	40,744	40,744	40,744	-0-
Roads and bridges	25,000	25,000	25,000	-0-
Total public works	75,146	74,458	74,458	-0-

Branch County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Health and welfare				
Medical examiner	\$ 33,000	\$ 38,840	\$ 46,265	\$ (7,425)
Veterans counselors	21,979	22,208	21,644	564
Substance abuse	51,590	51,305	56,499	(5,194)
Branch Hillsdale-St. Joseph				
District Health Department	270,143	270,143	270,143	-0-
Pines Behavioral Health Services	180,000	180,000	180,000	-0-
Other	57,092	65,292	65,042	250
Total health and welfare	613,804	627,788	639,593	(11,805)
Community and economic development				
Planning commission	6,774	6,593	5,974	619
Recreation and cultural				
Fair/4-H premiums	2,000	2,000	2,000	-0-
Other				
Workers' compensation insurance	130,000	155,644	155,644	-0-
Insurance	265,131	287,510	287,510	-0-
Professional services	116,500	108,353	120,894	(12,541)
Other	120,806	196,753	30,418	166,335
Total other	632,437	748,260	594,466	153,794
Debt service	-	-	5,784	(5,784)

Branch County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING USES				
Operating transfers to other funds				
Family Independence Agency	\$ 15,000	\$ 15,000	\$ 15,000	\$ -0-
Family Independence Agency - Debt	190,894	190,738	190,738	-0-
Child Care - Probate Court	392,376	392,376	392,376	-0-
Child Care - F.I.A.	30,000	42,000	42,000	-0-
Soldiers and Sailors	6,000	4,500	4,922	(422)
County Surveyor	4,000	4,000	4,000	-0-
Airport	67,500	67,500	67,500	-0-
Emergency Services	26,309	26,309	26,309	-0-
Housing Commission	7,200	7,200	7,200	-0-
Commission on Aging	-	500	500	-0-
Friend of the Court	84,975	84,975	84,975	-0-
Law Library	10,000	10,000	10,000	-0-
Marriage Counseling	-	-	5,704	(5,704)
Plat Books	-	-	3,087	(3,087)
Juvenile Day Care	-	-	2,030	(2,030)
Veterans' Trust	-	-	147	(147)
MSU Grants	-	-	1,334	(1,334)
Building Authority	128,558	128,301	128,301	-0-
Building Authority - Human Services	93,750	93,769	93,631	138
Building Authority - Refunding 2002	126,828	126,709	126,709	-0-
TOTAL OTHER FINANCING USES	1,183,390	1,193,877	1,206,463	(12,586)
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 11,333,879</u>	<u>\$ 11,396,682</u>	<u>\$ 11,166,789</u>	<u>\$ 229,893</u>

Branch County, Michigan
Revenue Sharing Reserve Fund
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ -	\$ -	\$ 1,712,173	\$ 1,712,173
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	1,712,173	1,712,173
OTHER FINANCING USES				
Operating transfers out	<u>-</u>	<u>-</u>	<u>(338,538)</u>	<u>(338,538)</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	-0-	-0-	1,373,635	1,373,635
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 1,373,635</u></u>	<u><u>\$ 1,373,635</u></u>

Branch County, Michigan
Commission on Aging Fund
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 485,163	\$ 483,357	\$ 485,675	\$ 2,318
Intergovernmental	105,074	78,243	103,663	25,420
Charges for services	145,580	166,700	192,402	25,702
Interest and rents	12,300	15,372	16,250	878
Other	6,000	3,867	4,888	1,021
TOTAL REVENUES	754,117	747,539	802,878	55,339
EXPENDITURES				
Health and welfare	827,972	838,573	804,512	34,061
Capital outlay	5,000	9,800	11,890	(2,090)
TOTAL EXPENDITURES	832,972	848,373	816,402	31,971
EXCESS OF REVENUES (UNDER) EXPENDITURES	(78,855)	(100,834)	(13,524)	87,310
OTHER FINANCING SOURCES				
Operating transfers in	78,855	99,561	100,061	500
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	-0-	103,428	86,537	(16,891)
Fund balance, beginning of year	77,830	77,830	77,830	-0-
Fund balance, end of year	\$ 77,830	\$ 181,258	\$ 164,367	\$ (16,891)

Branch County, Michigan

Emergency Services Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 713,650	\$ 713,650	\$ 769,931	\$ 56,281
Intergovernmental - Federal/State	30,387	30,387	104,307	73,920
Charges for services	194,500	194,500	267,399	72,899
Interest and rents	15,000	15,000	7,019	(7,981)
Other				
Reimbursements	-	-	2,480	2,480
TOTAL REVENUES	953,537	953,537	1,151,136	197,599
EXPENDITURES				
Current				
Health and welfare	696,120	847,323	812,509	34,814
Debt service	518,000	518,000	383,288	134,712
Capital outlay	152,680	152,680	703,477	(550,797)
TOTAL EXPENDITURES	1,366,800	1,518,003	1,899,274	(381,271)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(413,263)	(564,466)	(748,138)	(183,672)
OTHER FINANCING SOURCES				
Loan proceeds	-	-	532,787	532,787
Operating transfers in	26,309	26,309	26,309	-0-
Operating transfers out	-	-	(3,065)	(3,065)
TOTAL OTHER FINANCING SOURCES	26,309	26,309	556,031	529,722
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(386,954)	(538,157)	(192,107)	346,050
Fund balance, beginning of year	675,557	675,557	675,557	-0-
Fund balance, end of year	\$ 288,603	\$ 137,400	\$ 483,450	\$ 346,050

OTHER SUPPLEMENTARY INFORMATION

Branch County, Michigan
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
December 31, 2004

	Special		
	Marriage Counseling	Sheriff's Training	Parks
ASSETS			
Cash and cash equivalents	\$ 420	\$ 7,430	\$ 24,054
Accounts receivable	-	-	200
Taxes receivable	-	-	-
Loans receivable	-	-	-
Inventories	-	-	-
Due from other funds	-	-	-
Due from other governmental units - Federal/State	-	-	-
TOTAL ASSETS	<u>\$ 420</u>	<u>\$ 7,430</u>	<u>\$ 24,254</u>
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ 420	\$ -	\$ 11,380
Accrued payroll	-	-	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	27,560
Advances from other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	420	-0-	38,940
FUND BALANCES (DEFICITS)			
Reserved for:			
Inventories	-	-	-
Grant expenditures	-	-	-
Clock tower expenditures	-	-	-
Unreserved			
Designated for debt service	-	-	-
Undesignated, reported in:			
Special revenue funds	-	7,430	(14,686)
TOTAL FUND BALANCES (DEFICITS)	<u>-0-</u>	<u>7,430</u>	<u>(14,686)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 420</u>	<u>\$ 7,430</u>	<u>\$ 24,254</u>

Revenue					
Park Grant - Memorial	Friend of the Court	Tax Administration	Mental Health Building Maintenance	Solid Waste Management Planning	Plat Books
\$ 124,597	\$ (146,535)	\$ 123,399	\$ 5,501	\$ 2,918	\$ (3,155)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	3,155
27,560	-	-	-	-	-
-	213,811	-	-	-	-
<u>\$ 152,157</u>	<u>\$ 67,276</u>	<u>\$ 123,399</u>	<u>\$ 5,501</u>	<u>\$ 2,918</u>	<u>\$ -0-</u>
\$ -	\$ 575	\$ -	\$ -	\$ -	\$ -
-	7,740	-	-	-	-
-	592	-	-	-	-
-	33,677	-	-	-	-
150,000	-	-	-	-	-
-	-	-	-	-	-
2,157	-	-	-	-	-
152,157	42,584	-0-	-0-	-0-	-0-
-	-	-	-	-	3,155
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	24,692	123,399	5,501	2,918	(3,155)
-0-	24,692	123,399	5,501	2,918	-0-
<u>\$ 152,157</u>	<u>\$ 67,276</u>	<u>\$ 123,399</u>	<u>\$ 5,501</u>	<u>\$ 2,918</u>	<u>\$ -0-</u>

Branch County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2004

	Special		
	Jail Millage	Animal Shelter	Juvenile Day Care Program
ASSETS			
Cash and cash equivalents	\$ 74,782	\$ 1,308	\$ (2,347)
Accounts receivable	-	-	-
Taxes receivable	526,613	-	-
Loans receivable	-	-	-
Inventories	-	-	-
Due from other funds	-	-	-
Due from other governmental units - Federal/State	-	-	8,471
TOTAL ASSETS	<u>\$ 601,395</u>	<u>\$ 1,308</u>	<u>\$ 6,124</u>
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 3,840
Accrued payroll	-	-	2,122
Other accrued liabilities	-	-	162
Due to other funds	-	-	-
Advances from other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	526,613	-	-
TOTAL LIABILITIES	526,613	-0-	6,124
FUND BALANCES (DEFICITS)			
Reserved for:			
Inventories	-	-	-
Grant expenditures	-	-	-
Clock tower expenditures	-	-	-
Unreserved			
Designated for debt service	-	-	-
Undesignated, reported in:			
Special revenue funds	74,782	1,308	-
TOTAL FUND BALANCES (DEFICITS)	<u>74,782</u>	<u>1,308</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 601,395</u>	<u>\$ 1,308</u>	<u>\$ 6,124</u>

Revenue					
Sheriff's Special Investigation	Prosecutor's Special Investigation	Law Library	Economic Development	Housing Commission	F.I.A.
\$ 48,418	\$ 61,420	\$ 2,998	\$ -	\$ 70,298	\$ 49,670
-	-	-	-	-	504
-	-	-	-	-	-
-	-	-	-	16,973	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	18,809
<u>\$ 48,418</u>	<u>\$ 61,420</u>	<u>\$ 2,998</u>	<u>\$ -0-</u>	<u>\$ 87,271</u>	<u>\$ 68,983</u>
\$ 145	\$ 177	\$ 1,243	\$ -	\$ 2,908	\$ -
-	-	-	-	1,201	-
-	-	-	-	92	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	67,000
-	-	-	-	16,973	-
145	177	1,243	-0-	21,174	67,000
-	-	-	-	-	-
-	-	-	-	66,097	-
-	-	-	-	-	-
-	-	-	-	-	-
48,273	61,243	1,755	-	-	1,983
48,273	61,243	1,755	-0-	66,097	1,983
<u>\$ 48,418</u>	<u>\$ 61,420</u>	<u>\$ 2,998</u>	<u>\$ -0-</u>	<u>\$ 87,271</u>	<u>\$ 68,983</u>

Branch County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2004

	Special		
	Child Care - Probate Court	Child Care - FIA	Building Inspection
ASSETS			
Cash and cash equivalents	\$ 60,352	\$ (1,844)	\$ 80,576
Accounts receivable	-	-	3,477
Taxes receivable	-	-	-
Loans receivable	-	-	-
Inventories	-	-	-
Due from other funds	-	-	-
Due from other governmental units - Federal/State	36,548	8,962	-
TOTAL ASSETS	<u>\$ 96,900</u>	<u>\$ 7,118</u>	<u>\$ 84,053</u>
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ 17,095	\$ -	\$ 1,443
Accrued payroll	2,709	-	3,871
Other accrued liabilities	207	-	296
Due to other funds	-	-	-
Advances from other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	20,011	-0-	5,610
FUND BALANCES (DEFICITS)			
Reserved for:			
Inventories	-	-	-
Grant expenditures	-	-	-
Clock tower expenditures	-	-	-
Unreserved			
Designated for debt service	-	-	-
Undesignated, reported in:			
Special revenue funds	76,889	7,118	78,443
TOTAL FUND BALANCES (DEFICITS)	<u>76,889</u>	<u>7,118</u>	<u>78,443</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 96,900</u>	<u>\$ 7,118</u>	<u>\$ 84,053</u>

Revenue					
County Surveyor	Veterans' Trust	Soldiers and Sailors	Victims' Rights	MSU Grants	Airport
\$ 1,869	\$ 75	\$ 4,589	\$ (9,339)	\$ 243	\$ 87,622
-	-	-	-	-	-
-	-	106,462	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	14,654	-	-
<u>\$ 1,869</u>	<u>\$ 75</u>	<u>\$ 111,051</u>	<u>\$ 5,315</u>	<u>\$ 243</u>	<u>\$ 87,622</u>
\$ -	\$ 75	\$ 4,589	\$ 50	\$ 243	\$ 2,471
-	-	-	595	-	-
-	-	-	46	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	106,462	-	-	-
-0-	75	111,051	691	243	2,471
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,869	-	-	4,624	-	85,151
<u>1,869</u>	<u>-0-</u>	<u>-0-</u>	<u>4,624</u>	<u>-0-</u>	<u>85,151</u>
<u>\$ 1,869</u>	<u>\$ 75</u>	<u>\$ 111,051</u>	<u>\$ 5,315</u>	<u>\$ 243</u>	<u>\$ 87,622</u>

Branch County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2004

		Special	
	Commission on Aging Facility	Clock Tower	Register of Deeds Automation
ASSETS			
Cash and cash equivalents	\$ 174,306	\$ 6,783	\$ 108,073
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Loans receivable	-	-	-
Inventories	-	-	-
Due from other funds	-	-	-
Due from other governmental units - Federal/State	-	-	-
TOTAL ASSETS	\$ 174,306	\$ 6,783	\$ 108,073
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	-	45
Other accrued liabilities	-	-	3
Due to other funds	5,199	-	-
Advances from other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	5,199	-0-	48
FUND BALANCES (DEFICITS)			
Reserved for:			
Inventories	-	-	-
Grant expenditures	-	-	-
Clock tower expenditures	-	6,783	-
Unreserved			
Designated for debt service	140,000	-	-
Undesignated, reported in:			
Special revenue funds	29,107	-	108,025
TOTAL FUND BALANCES (DEFICITS)	169,107	6,783	108,025
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 174,306	\$ 6,783	\$ 108,073

Revenue			Debt Service		
Homestead Property Tax	Homeland Security Grant	Local Correction Officer Training	Building Authority - COA	Building Authority - FIA	Building Authority - Hospital
\$ 146	\$ (191,405)	\$ 16,816	\$ -	\$ -	\$ 94
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	3,065	-	-	-	-
-	193,565	-	-	-	-
<u>\$ 146</u>	<u>\$ 5,225</u>	<u>\$ 16,816</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 94</u>
\$ 12	\$ 5,225	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
12	5,225	-0-	-0-	-0-	-0-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	94
134	-	16,816	-	-	-
134	-0-	16,816	-0-	-0-	94
<u>\$ 146</u>	<u>\$ 5,225</u>	<u>\$ 16,816</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 94</u>

Branch County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2004

	Debt Service		
	Building Authority - Human Services	Building Authority - Courthouse	Building Authority - Refunding
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Loans receivable	-	-	-
Inventories	-	-	-
Due from other funds	-	-	-
Due from other governmental units - Federal/State	-	-	-
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	-	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advances from other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-
FUND BALANCES (DEFICITS)			
Reserved for:			
Inventories	-	-	-
Grant expenditures	-	-	-
Clock tower expenditures	-	-	-
Unreserved			
Designated for debt service	-	-	-
Undesignated, reported in:			
Special revenue funds	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

<u>Capital Projects</u>		<u>Total</u>	
<u>Courthouse</u>		<u>Nonmajor</u>	
<u>Renovation</u>		<u>Governmental</u>	
<u>Project</u>		<u>Funds</u>	
\$	-	\$	784,132
	-		4,181
	-		633,075
	-		16,973
	-		3,155
	-		30,625
	-		494,820
<u>\$</u>	<u>-0-</u>	<u>\$</u>	<u>1,966,961</u>
\$	-	\$	51,891
	-		18,283
	-		1,398
	-		66,436
	-		150,000
	-		67,000
	-		652,205
	-0-		1,007,213
	-		3,155
	-		66,097
	-		6,783
	-		140,094
	-		743,619
<u></u>	<u>-0-</u>	<u></u>	<u>959,748</u>
<u>\$</u>	<u>-0-</u>	<u>\$</u>	<u>1,966,961</u>

Branch County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2004

	Special		
	Marriage Counseling	Sheriff's Training	Parks
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	5,010	-	-
Intergovernmental -			
Local	-	-	-
Federal/State	-	4,966	-
Charges for services	-	-	310,229
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	-
TOTAL REVENUES	5,010	4,966	310,229
EXPENDITURES			
Current			
General government	11,485	-	-
Public safety	-	1,771	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and cultural	-	-	148,526
Capital outlay	-	-	23,473
Debt service	-	-	-
TOTAL EXPENDITURES	11,485	1,771	171,999
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,475)	3,195	138,230
OTHER FINANCING SOURCES (USES)			
Operating transfers in	5,704	-	-
Operating transfers out	-	-	-
Residual equity transfer out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	5,704	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(771)	3,195	138,230
Fund balances (deficits), beginning of year	771	4,235	(152,916)
Prior period adjustments	-	-	-
Fund balances (deficits), end of year	\$ -0-	\$ 7,430	\$ (14,686)

Revenue					
Park Grant - Memorial	Friend of the Court	Tax Administration	Mental Health Building Maintenance	Solid Waste Management Planning	Plat Books
\$ -	\$ -	\$ 8,342	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	658,342	-	-	-	-
-	57,467	-	-	-	1,067
-	-	-	-	-	-
-	-	-	-	-	-
-	2,133	-	-	-	-
-0-	717,942	8,342	-0-	-0-	1,067
-	826,084	299	12,786	-	4,154
-	-	-	-	-	-
-	-	-	-	150	-
-	-	-	-	-	-
-	-	-	-	-	-
-	840	-	-	-	-
-	-	-	-	-	-
-0-	826,924	299	12,786	150	4,154
-0-	(108,982)	8,043	(12,786)	(150)	(3,087)
-	84,975	-	-	-	3,087
-	-	(10,000)	-	-	-
-	-	-	-	-	-
-0-	84,975	(10,000)	-0-	-0-	3,087
-0-	(24,007)	(1,957)	(12,786)	(150)	-0-
-	47,499	125,356	18,287	3,068	-
-	1,200	-	-	-	-
<u>\$ -0-</u>	<u>\$ 24,692</u>	<u>\$ 123,399</u>	<u>\$ 5,501</u>	<u>\$ 2,918</u>	<u>\$ -0-</u>

Branch County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2004

	Special		
	Jail Millage	Animal Shelter	Juvenile Day Care Program
REVENUES			
Taxes	\$ 477,456	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Local	-	-	-
Federal/State	14,438	-	90,815
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	1,705	-	-
Other	-	65	272
TOTAL REVENUES	493,599	65	91,087
EXPENDITURES			
Current			
General government	-	-	-
Public safety	5,182	150	-
Health and welfare	-	-	99,977
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	5,182	150	99,977
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	488,417	(85)	(8,890)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	5,963
Operating transfers out	(537,001)	-	-
Residual equity transfer out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(537,001)	-0-	5,963
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(48,584)	(85)	(2,927)
Fund balances (deficits), beginning of year	123,366	1,393	2,927
Prior period adjustments	-	-	-
Fund balances (deficits), end of year	\$ 74,782	\$ 1,308	\$ -0-

Revenue					
Sheriff's Special Investigation	Prosecutor's Special Investigation	Law Library	Economic Development	Housing Commission	F.I.A.
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	193,543	234,684
-	-	-	-	12,230	-
28,276	7,199	4,500	-	-	-
215	377	-	-	-	-
12,773	4,437	-	-	16,245	12,619
41,264	12,013	4,500	-0-	222,018	247,303
-	-	12,745	-	-	-
7,174	4,096	-	-	-	-
-	-	-	-	166,479	260,633
-	-	-	105	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,174	4,096	12,745	105	166,479	260,633
34,090	7,917	(8,245)	(105)	55,539	(13,330)
-	-	10,000	-	7,200	15,000
-	-	-	-	-	-
-	-	-	(3,149)	-	-
-0-	-0-	10,000	(3,149)	7,200	15,000
34,090	7,917	1,755	(3,254)	62,739	1,670
14,183	53,326	-	3,254	3,358	313
-	-	-	-	-	-
\$ 48,273	\$ 61,243	\$ 1,755	\$ -0-	\$ 66,097	\$ 1,983

Branch County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2004

	Special		
	Child Care - Probate Court	Child Care - FIA	Building Inspection
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	390,313
Intergovernmental -			
Local	-	-	-
Federal/State	290,735	68,205	-
Charges for services	-	-	265
Fines and forfeits	-	-	25
Interest and rents	-	-	-
Other	14,126	14,677	714
TOTAL REVENUES	304,861	82,882	391,317
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	362,134
Health and welfare	616,415	137,885	-
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	616,415	137,885	362,134
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(311,554)	(55,003)	29,183
OTHER FINANCING SOURCES (USES)			
Operating transfers in	392,376	42,000	-
Operating transfers out	(3,933)	-	-
Residual equity transfer out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	388,443	42,000	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	76,889	(13,003)	29,183
Fund balances (deficits), beginning of year	-	20,121	49,260
Prior period adjustments	-	-	-
Fund balances (deficits), end of year	\$ 76,889	\$ 7,118	\$ 78,443

Revenue					
County Surveyor	Veterans' Trust	Soldiers and Sailors	Victims' Rights	MSU Grants	Airport
\$ -	\$ -	\$ 51,132	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	3,668	-	44,356	70,630	282,545
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	43,805
-	-	1,635	440	-	80
-0-	3,668	52,767	44,796	70,630	326,430
2,417	-	-	-	67,643	66,192
-	-	-	-	-	-
-	4,175	57,689	43,193	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	312,919
-	-	-	-	-	-
2,417	4,175	57,689	43,193	67,643	379,111
(2,417)	(507)	(4,922)	1,603	2,987	(52,681)
4,000	147	4,922	-	1,334	67,500
-	-	-	-	-	-
-	-	-	-	-	-
4,000	147	4,922	-0-	1,334	67,500
1,583	(360)	-0-	1,603	4,321	14,819
286	360	-	3,021	(4,321)	70,332
-	-	-	-	-	-
\$ 1,869	\$ -0-	\$ -0-	\$ 4,624	\$ -0-	\$ 85,151

Branch County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2004

	Special		
	Commission on Aging Facility	Clock Tower	Register of Deeds Automation
REVENUES			
Taxes	\$ 253,540	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Local	-	-	-
Federal/State	-	-	-
Charges for services	-	-	61,150
Fines and forfeits	-	-	-
Interest and rents	2,458	34	1,140
Other	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	255,998	34	62,290
EXPENDITURES			
Current			
General government	-	-	6,131
Public safety	-	-	-
Health and welfare	426	-	-
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	426	-0-	6,131
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	255,572	34	56,159
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	(179,607)	-	-
Residual equity transfer out	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	(179,607)	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	75,965	34	56,159
Fund balances (deficits), beginning of year	93,142	6,749	51,866
Prior period adjustments	-	-	-
	<hr/>	<hr/>	<hr/>
Fund balances (deficits), end of year	<u>\$ 169,107</u>	<u>\$ 6,783</u>	<u>\$ 108,025</u>

Revenue			Debt Service		
Homestead Property Tax	Homeland Security Grant	Local Correction Officer Training	Building Authority - COA	Building Authority - FIA	Building Authority - Hospital
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	374,096
-	193,564	-	-	-	-
-	-	16,836	-	-	-
-	-	-	-	-	-
134	-	-	-	-	-
-	-	-	-	-	-
134	193,564	16,836	-0-	-0-	374,096
-	-	-	-	-	-
-	-	20	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	196,629	-	-	-	-
-	-	-	80,046	190,738	374,002
-0-	196,629	20	80,046	190,738	374,002
134	(3,065)	16,816	(80,046)	(190,738)	94
-	3,065	-	80,046	190,738	-
-	-	-	-	-	-
-	-	-	-	-	-
-0-	3,065	-0-	80,046	190,738	-0-
134	-0-	16,816	-0-	-0-	94
-	-	-	-	-	-
-	-	-	-	-	-
\$ 134	\$ -0-	\$ 16,816	\$ -0-	\$ -0-	\$ 94

Branch County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2004

	Debt Service		
	Building Authority - Human Services	Building Authority - Courthouse	Building Authority - Refunding
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Local	-	-	171,782
Federal/State	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	-0-	-0-	171,782
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	93,631	128,301	298,491
	<u>93,631</u>	<u>128,301</u>	<u>298,491</u>
TOTAL EXPENDITURES	93,631	128,301	298,491
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(93,631)	(128,301)	(126,709)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	93,631	128,301	126,709
Operating transfers out	-	-	-
Residual equity transfer out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	93,631	128,301	126,709
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	-0-	-0-
Fund balances (deficits), beginning of year	-	-	-
Prior period adjustments	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits), end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

<u>Capital Projects</u> <u>Courthouse</u> <u>Renovation</u> <u>Project</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
\$ -	790,470
-	395,323
-	545,878
-	2,150,491
-	459,244
-	40,000
1,357	51,225
-	80,216
1,357	4,512,847
-	1,009,936
-	380,527
-	1,387,022
-	105
-	148,526
144,591	678,452
-	1,165,209
144,591	4,769,777
(143,234)	(256,930)
-	1,266,698
-	(730,541)
-	(3,149)
-0-	533,008
(143,234)	276,078
143,234	682,470
-	1,200
<u>\$ -0-</u>	<u>\$ 959,748</u>

Branch County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2004

	Trust and Agency	Library	Total
ASSETS			
Cash	\$ 1,594,532	\$ 16,727	\$ 1,611,259
LIABILITIES			
Undistributed collections	\$ 1,343,141	\$ -	\$ 1,343,141
Defendant bonds payable	186,511	-	186,511
Due to other governmental units			
Federal/State	41,655	-	41,655
Local	-	16,727	16,727
Due to individuals and agencies	20,204	-	20,204
Due to other funds	35	-	35
Advances from other funds	2,986	-	2,986
TOTAL LIABILITIES	\$ 1,594,532	\$ 16,727	\$ 1,611,259

Branch County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

December 31, 2004

	Debt Service		
	Regular Drain	Lake Level	Marble Lake Level
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	-	-	-
Special assessments receivable	413,831	-	335
Inventories	-	-	-
Due from other funds - primary government	-	-	-
Due from other funds	95,778	30,000	-
TOTAL ASSETS	\$ 509,609	\$ 30,000	\$ 335
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Deferred revenue	246,070	-	-
Advances from primary government	-	-	-
Notes payable	-	-	-
TOTAL LIABILITIES	246,070	-0-	-0-
FUND BALANCES			
Fund balances			
Reserved for debt service	263,539	30,000	335
Reserved for inventories	-	-	-
Unreserved			
Designated for capital expenditures	-	-	-
TOTAL FUND BALANCES	263,539	30,000	335
TOTAL LIABILITIES AND FUND BALANCES	\$ 509,609	\$ 30,000	\$ 335

Capital Projects					
Regular Drain	Drain Revolving	Lake Level	Lake Level Revolving	Hodunk/ Messger Lake	Total
\$ 429,920	\$ 11,257	\$ 114,477	\$ 4,465	\$ 8,266	\$ 568,385
45,000	-	-	-	-	45,000
83,189	-	-	-	-	497,355
14,308	-	-	-	-	14,308
4,138	-	-	-	-	4,138
-	88,743	345	4,535	-	219,401
<u>\$ 576,555</u>	<u>\$ 100,000</u>	<u>\$ 114,822</u>	<u>\$ 9,000</u>	<u>\$ 8,266</u>	<u>\$ 1,348,587</u>
\$ 34,116	\$ -	\$ 6,506	\$ -	\$ -	\$ 40,622
184,866	-	34,535	-	-	219,401
-	-	-	-	-	246,070
-	100,000	-	9,000	-	109,000
41,150	-	-	-	-	41,150
260,132	100,000	41,041	9,000	-0-	656,243
-	-	-	-	-	293,874
14,308	-	-	-	-	14,308
302,115	-	73,781	-	8,266	384,162
316,423	-0-	73,781	-0-	8,266	692,344
<u>\$ 576,555</u>	<u>\$ 100,000</u>	<u>\$ 114,822</u>	<u>\$ 9,000</u>	<u>\$ 8,266</u>	<u>\$ 1,348,587</u>

Branch County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS

December 31, 2004

Total fund balances - governmental funds \$ 692,344

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 3,514,665	
Accumulated depreciation is	<u>(1,857,471)</u>	
Capital assets, net		1,657,194

Long-term receivables are not available to pay for current period
expenditures and therefore deferred in the funds. These consist of:

Deferred revenue		246,070
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Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.
Long-term liabilities at year-end consist of:

Notes payable	246,070	
Accrued interest payable	<u>11,663</u>	
		<u>(257,733)</u>

Net assets of governmental activities \$ 2,337,875

Branch County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - DRAINAGE DISTRICTS

Year Ended December 31, 2004

	Debt Service		
	Regular Drain	Lake Level	Marble Lake Level
REVENUES			
Interest	\$ -	\$ -	\$ -
Other			
Special assessments	16,678	-	-
Miscellaneous	-	-	-
TOTAL REVENUES	16,678	-0-	-0-
EXPENDITURES			
Current			
Public works	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	107,830	-	-
Interest and fiscal charges	8,209	-	-
TOTAL EXPENDITURES	116,039	-0-	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(99,361)	-0-	-0-
OTHER FINANCING SOURCES			
Long-term note proceeds	62,900	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(36,461)	-0-	-0-
Fund balances, beginning of year	300,000	30,000	335
Fund balances, end of year	\$ 263,539	\$ 30,000	\$ 335

Capital Projects

Regular Drain	Drain Revolving	Lake Level	Lake Level Revolving	Hodunk/ Messger Lake	Total
\$ 6,215	\$ -	\$ 976	\$ -	\$ -	\$ 7,191
313,954	-	-	-	89,018	419,650
-	-	20,512	-	-	20,512
320,169	-0-	21,488	-0-	89,018	447,353
323,836	-	18,290	-	80,752	422,878
5,000	-	-	-	-	5,000
-	-	-	-	-	107,830
-	-	-	-	-	8,209
328,836	-0-	18,290	-0-	80,752	543,917
(8,667)	-0-	3,198	-0-	8,266	(96,564)
-	-	-	-	-	62,900
(8,667)	-0-	3,198	-0-	8,266	(33,664)
325,090	-	70,583	-	-	726,008
\$ 316,423	\$ -0-	\$ 73,781	\$ -0-	\$ 8,266	\$ 692,344

Branch County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS

Year Ended December 31, 2004

Net change in fund balances - total governmental funds \$ (33,664)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 5,000	
Depreciation expense	<u>(155,301)</u>	
Excess of depreciation expense over capital outlay		(150,301)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

Change in deferred revenue	(123,180)
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Long-term debt proceeds	\$ (62,900)	
Note principal retirement	<u>107,830</u>	
		44,930

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Change in accrued interest payable	<u>1,348</u>
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Change in net assets of governmental activities \$ (260,867)

Branch County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - BOARD OF PUBLIC WORKS

December 31, 2004

	Special Revenue		Debt Service	
	Water and Sewer	Coldwater/ Long Lake Sewer	Coldwater/ Long Lake Sewer Supplemental	Sewer #2 Refunding
ASSETS				
Cash and cash equivalents	\$ 64,197	\$ -	\$ 63,752	\$ 94,543
Investments	-	-	-	-
Special assessment receivable	-	-	1,016,405	5,382,407
Capital assets, net	-	-	-	-
TOTAL ASSETS	\$ 64,197	\$ -0-	\$ 1,080,157	\$ 5,476,950
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 31	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Other accrued liabilities	-	-	-	-
Deferred revenue	-	-	935,675	5,147,611
Advances from primary government	-	-	-	-
TOTAL LIABILITIES	31	-0-	935,675	5,147,611
FUND EQUITY				
Net assets				
Invested in capital assets, net of related debt	-	-	-	-
Unrestricted	-	-	-	-
Fund balances				
Reserved for debt service	-	-	144,482	329,339
Unreserved				
Designated for capital expenditures	33,306	-	-	-
Undesignated, reported in special revenue funds	30,860	-	-	-
TOTAL FUND EQUITY	64,166	-0-	144,482	329,339
TOTAL LIABILITIES AND FUND EQUITY	\$ 64,197	\$ -0-	\$ 1,080,157	\$ 5,476,950

Capital Projects	Enterprise			Internal Service	
Lake Maintenance	Sewer	DPW Operation and Maintenance	Ovid Treatment Plant	BPW Revolving	Total
\$ 16,918	\$ 152,843	\$ 115,811	\$ 115,908	\$ 47,123	\$ 671,095
168,724	130,450	-	-	-	299,174
-	-	-	-	-	6,398,812
-	2,647,666	-	10,606,061	-	13,253,727
<u>\$ 185,642</u>	<u>\$ 2,930,959</u>	<u>\$ 115,811</u>	<u>\$ 10,721,969</u>	<u>\$ 47,123</u>	<u>\$ 20,622,808</u>
\$ -	\$ 388	\$ 6,019	\$ 1,502	\$ -	\$ 7,940
-	-	2,034	-	-	2,034
-	-	156	-	-	156
-	-	-	-	-	6,083,286
-	-	-	-	35,000	35,000
-0-	388	8,209	1,502	35,000	6,128,416
-	2,647,666	-	10,606,061	-	13,253,727
-	282,905	107,602	114,406	12,123	517,036
-	-	-	-	-	473,821
185,642	-	-	-	-	218,948
-	-	-	-	-	30,860
<u>185,642</u>	<u>2,930,571</u>	<u>107,602</u>	<u>10,720,467</u>	<u>12,123</u>	<u>14,494,392</u>
<u>\$ 185,642</u>	<u>\$ 2,930,959</u>	<u>\$ 115,811</u>	<u>\$ 10,721,969</u>	<u>\$ 47,123</u>	<u>\$ 20,622,808</u>

Branch County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - BOARD OF PUBLIC WORKS

December 31, 2004

Total fund balances - governmental funds \$ 723,629

Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term receivables are not available to pay for current period
expenditures and therefore are not reported as assets in the funds.
Long-term receivables at year-end consist of:

Accrued interest receivable	\$ 68,610	
Lease receivable	5,100,000	
Deferred revenue	<u>6,083,286</u>	
		11,251,896

Governmental funds report the difference between the carrying amount of the defeased debt
and its reacquisition price when debt is first issued, whereas these amounts are deferred and
amortized in the Statement of Net Assets. These amounts consist of:

Unamortized defeased debt	149,051
---------------------------	---------

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.
Long-term liabilities at year-end consist of:

Accrued interest payable	68,610	
Direct county obligations	<u>5,100,000</u>	
		<u>(5,168,610)</u>

Net assets of governmental activities \$ 6,955,966

Branch County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUND TYPES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2004

	Special Revenue		Debt Service	
	Water and Sewer	Coldwater/ Long Lake Sewer	Coldwater/ Long Lake Sewer Supplemental	Sewer #2 Refunding
REVENUES				
Interest	\$ 210	\$ 563	\$ 396	\$ 912
Other				
Special assessments	12,420	-	76,231	216,350
Miscellaneous	450	-	2,800	-
TOTAL REVENUES	13,080	563	79,427	217,262
EXPENDITURES				
General government				
Other	420	-	13	19,532
Debt service				
Principal	-	-	40,000	155,000
Interest and fiscal charges	-	-	4,831	133,434
Capital outlay				
Construction	4,782	-	-	-
TOTAL EXPENDITURES	5,202	-0-	44,844	307,966
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,878	563	34,583	(90,704)
OTHER FINANCING SOURCES (USES)				
Bond premium	-	-	-	35,046
Bond proceeds	-	-	-	5,190,000
Transfers in	-	-	-	387,862
Bond issuance cost	-	-	-	(143,819)
Underwriters discount	-	-	-	(49,046)
Transfer to escrow agent	-	-	-	(5,000,000)
Transfers out	-	(387,862)	-	-
TOTAL OTHER FINANCING (USES) SOURCES	-0-	(387,862)	-0-	420,043
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	7,878	(387,299)	34,583	329,339
Fund balances, beginning of year	56,288	387,299	109,899	-
Fund balances, end of year	\$ 64,166	\$ -0-	\$ 144,482	\$ 329,339

Capital Projects	
Lake Maintenance	Total
\$ 3,876	\$ 5,957
-	305,001
-	3,250
3,876	314,208
150	20,115
-	195,000
-	138,265
8,350	13,132
8,500	366,512
(4,624)	(52,304)
-	35,046
-	5,190,000
-	387,862
-	(143,819)
-	(49,046)
-	(5,000,000)
-	(387,862)
-0-	32,181
(4,624)	(20,123)
190,266	743,752
<u>\$ 185,642</u>	<u>\$ 723,629</u>

Branch County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2004

Net change in fund balances - total governmental funds \$ (20,123)

Amounts reported for governmental activities in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

Change in deferred revenue (200,611)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. Also, governmental funds report the effect of the difference between the carrying amount of defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the current year, these amounts consist of:

Transfer to escrow agent	5,000,000	
Amortization of defeased debt	149,051	
Bond principal retirement	195,000	
Bond proceeds	<u>(5,190,000)</u>	
		154,051

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in lease receivables	(5,000)	
Change in accrued interest receivable	(1,321)	
Change in accrued interest payable	<u>1,321</u>	
		<u>(5,000)</u>

Change in net assets of governmental activities \$ (71,683)

Branch County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2004

		Enterprise	
		DPW	Ovid
	Sewer	Operation and Maintenance	Treatment Plant
OPERATING REVENUES			
Charges for services	\$ 122,184	\$ 201,430	\$ 196,849
Other	564	-	537
TOTAL OPERATING REVENUES	122,748	201,430	197,386
OPERATING EXPENSES			
Personal services	-	109,898	288
Fringe benefits	-	35,169	-
Operating supplies	-	5,138	3,282
Contractual services	70,860	6,803	136,897
Depreciation	81,970	-	245,505
Other	30,764	44,227	35,142
TOTAL OPERATING EXPENSES	183,594	201,235	421,114
OPERATING INCOME (LOSS)	(60,846)	195	(223,728)
NONOPERATING REVENUES			
Interest revenue	3,680	23	680
NET INCOME (LOSS)	(57,166)	218	(223,048)
Net assets, beginning of year	2,987,737	107,384	10,943,515
Net assets, end of year	\$ 2,930,571	\$ 107,602	\$ 10,720,467

<u>Internal Service</u>	
<u>BPW Revolving</u>	<u>Total</u>
\$ -	\$ 520,463
1,200	2,301
1,200	522,764
-	110,186
-	35,169
-	8,420
-	214,560
-	327,475
-	110,133
-0-	805,943
1,200	(283,179)
-	4,383
1,200	(278,796)
10,923	14,049,559
<u>\$ 12,123</u>	<u>\$ 13,770,763</u>

Branch County, Michigan

Component Unit Funds

COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES -
BOARD OF PUBLIC WORKS

Year Ended December 31, 2004

		Enterprise	
		DPW	Ovid
	Sewer	Operation and	Treatment
		Maintenance	Plant
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from users	\$ 122,748	\$ 201,430	\$ 197,386
Cash paid to suppliers	(101,235)	(53,973)	(174,361)
Cash paid to employees	-	(111,997)	(288)
Cash paid for employee benefits	-	(35,169)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	21,513	291	22,737
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(130,450)	-	-
Interest revenue	3,680	23	680
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(126,770)	23	680
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING YEAR	(105,257)	314	23,417
Cash and cash equivalents, beginning of year	258,100	115,497	92,491
Cash and cash equivalents, end of year	<u>\$ 152,843</u>	<u>\$ 115,811</u>	<u>\$ 115,908</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ (60,846)	\$ 195	\$ (223,728)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	81,970	-	245,505
Increase in accounts payable	389	2,195	960
(Decrease) in accrued liabilities	-	(2,099)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 21,513</u>	<u>\$ 291</u>	<u>\$ 22,737</u>

Internal Service		
BPW Revolving	Total	
\$ 1,200	\$ 522,764	
-	(329,569)	
-	(112,285)	
-	(35,169)	
1,200	45,741	
-	(130,450)	
-	4,383	
-0-	(126,067)	
1,200	50,124	
45,923	512,011	
<u>\$ 47,123</u>	<u>\$ 562,135</u>	
\$ 1,200	\$ (283,179)	
-	327,475	
-	3,544	
-	(2,099)	
<u>\$ 1,200</u>	<u>\$ 45,741</u>	

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Branch County
Coldwater, Michigan

We have audited the basic financial statements of Branch County as of and for the year ended December 31, 2004, and have issued our report thereon dated April 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Branch County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Branch County in a separate letter dated April 1, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Branch County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the administration and Board of Commissioners of Branch County, management, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

April 1, 2005

Branch County, Michigan

**SUPPLEMENTARY INFORMATION TO
BASIC FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

December 31, 2004

Branch County, Michigan

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Commissioners
of Branch County
Coldwater, Michigan

Compliance

We have audited the compliance of Branch County, Michigan with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. Branch County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Branch County's management. Our responsibility is to express an opinion on Branch County's compliance based on our audit.

Branch County's basic financial statements include the operations of the Branch-Hillsdale-St. Joseph Community Health Agency, which received \$2,607,819 in federal awards during the year ended September 30, 2004, or the Branch County Road Commission, which received \$366,913 in federal awards during the year ended December 31, 2004. Our audit, described below, did not include the operations of the Community Health Center or the Branch County Road Commission because the component units have engaged other auditors to perform separate audits in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Branch County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Branch County's compliance with those requirements.

In our opinion, Branch County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ending December 31, 2004.

Internal Control Over Compliance

The management of Branch County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Branch County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Branch County as of and for the year ended December 31, 2004, and have issued our report thereon dated April 1, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Branch County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners and management of Branch County, Michigan and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

April 1, 2005

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2004

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grants Number</u>	<u>Program Award Amount</u>	<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE Farmers Home Administration (Direct Program) Water and Waste Disposal Systems for Rural Communities Loan Funds	10.418	N/A	\$ 6,300,000	\$ -	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Passed through Michigan State Housing Development Authority Community Development Block Grant (CDBG) Program State's Program FY 03 Regular	14.228	MSC-2003-773-HOA	225,000	75,869	75,869
U.S. DEPARTMENT OF JUSTICE Passed through Michigan Department of Community Health Byrne Formula Grant Program	16.579	2004-DB-BX-0052	99,200	17,636	17,636
U.S. DEPARTMENT OF EDUCATION Passed through the State Office of Drug Control Policy Safe and Drug Free Schools and Communities (Governor's Discretionary Funds) Juvenile Day Treatment Pilot Program FY 03-04 FY 04-05	84.186A	2004-1269 2005-1480	70,000 74,678	60,195 12,984	60,195 12,984
TOTAL U.S. DEPARTMENT OF EDUCATION			144,678	73,179	73,179
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Passed through State Department of Office on Services to the Aging and Branch-Hillsdale-St. Joseph Community Health Agency Title III-B Special Programs for Aging (Chore, Case Coordination, Homecare Assistance, In-Home Respite, and Information and Assistance) FY 03-04 FY 04-05	93.044	N/A N/A	23,904 21,536	14,869 8,773	14,869 8,773
			45,440	23,642	23,642
Title III-E Special Programs for Aging (Nation Family Caregiver Support Program) FY 03-04 FY 04-05	93.052	N/A N/A	18,556 16,850	15,854 2,441	15,854 2,441
			35,406	18,295	18,295

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2004

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grants Number</u>	<u>Program Award Amount</u>	<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED					
Passed through Michigan Family Independence Agency					
Child Support Enforcement (Title IV-D) ^(c)					
Cooperative Reimbursement - Friend of the Court ^(a)	93.563				
2003-2004		CS/FOC-04-12001	\$ 528,285	\$ 350,318	\$ 350,318
2004-2005		CS/FOC-05-12001	603,857	115,769	115,769
Medical Support Collection - Friend of the Court ^(a)					
2003-2004		CS/MED-04-12001	14,965	11,781	11,781
2004-2005		CS/MED-05-12001	14,965	3,514	3,514
Cooperative Reimbursement - Prosecuting Attorney ^(a)					
2003-2004		CS/PA-04-12002	63,254	42,448	42,448
2004-2005		CS/PA-05-12002	75,224	14,065	14,065
Federal Incentive Payments - FOC ^(b)					
2001-2002		N/A	31,635	31,635	31,635
2002-2003		N/A	41,522	41,522	41,522
2003-2004		N/A	51,450	51,450	51,450
2004-2005		N/A	18,638	18,638	18,638
			<u>1,443,795</u>	<u>681,140</u>	<u>681,140</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,524,641	723,077	723,077
U.S. DEPARTMENT OF HOMELAND SECURITY					
Passed through Michigan Department of State Police					
Emergency Management Division					
State Domestic Preparedness Equipment Support Program	97.004				
2003 Exercise		N/A	12,000	1,617	1,617
2003 Equipment		N/A	58,213	58,213	58,213
2003 Part II		N/A	44,276	21,856	21,856
2004 SHGP		N/A	261,523	193,564	193,564
			<u>376,012</u>	<u>275,250</u>	<u>275,250</u>
Emergency Management Performance Grants					
2004	97.042				
2005		N/A	13,744	10,308	10,308
		N/A	<u>13,744</u>	<u>3,436</u>	<u>3,436</u>
State and Local All Hazards Emergency Operations Planning					
	97.051	N/A	27,488	13,744	13,744
			<u>300</u>	<u>300</u>	<u>300</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			403,800	289,294	289,294
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 8,697,319</u>	<u>\$ 1,179,055</u>	<u>\$ 1,179,055</u>

Branch County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2004

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Branch County, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements, which are reconciled in Note C.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a) - (c) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Reimbursements of these contracts are passed through the State. The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on the following percentages of Federal participation:

<u>Program</u>	<u>CFDA Number</u>	<u>Percent</u>
Cooperative Reimbursement	93.563	66%
Medical Support Collection	93.563	66

- (b) The reimbursements for the IV-D Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues.

- (c) Denotes programs tested as "major programs".

NOTE C: RECONCILIATION TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE EXPENDITURES

The following reconciles the federal revenues reported in the December 31, 2004 basic financial statements to the expenditures of the County administered federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/ State Revenue</u>	<u>Less State Revenue</u>	<u>Adjustments</u>	<u>Federal Award Expenditures</u>
PRIMARY GOVERNMENT				
GENERAL FUND				
Cooperative Reimbursement -				
Prosecuting Attorney	\$ 69,688	\$ 13,175	\$ -	\$ 56,513
Other Programs	<u>1,353,190</u>	<u>1,353,190</u>	<u>-</u>	<u>-0-</u>
TOTAL GENERAL FUND	1,422,878	1,366,365	-0-	56,513

Branch County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2004

NOTE C: RECONCILIATION TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE EXPENDITURES - CONTINUED

	<u>Federal/ State Revenue</u>	<u>Less State Revenue</u>	<u>Adjustments</u>	<u>Federal Award Expenditures</u>
PRIMARY GOVERNMENT - CONTINUED				
SPECIAL REVENUE FUNDS				
Friend of the Court	\$ 658,342	\$ 33,715	\$ -	\$ 624,627
Juvenile Day Care Program	90,815	-	-	90,815
Housing Commission	193,543	117,674	- ⁽¹⁾	75,869
Airport	282,545	-	(282,545)	-0-
Commission on Aging	103,663	61,726	-	41,937
Emergency Services	104,307	8,577	-	95,730
Homeland Security Grant	193,564	-	-	193,564
Other Funds	<u>731,682</u>	<u>731,682</u>	<u>-</u>	<u>-0-</u>
TOTAL SPECIAL REVENUE FUNDS	<u>2,358,461</u>	<u>953,374</u>	<u>(282,545)</u>	<u>1,122,542</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 3,781,339</u>	<u>\$ 2,319,739</u>	<u>\$(282,545)</u>	<u>\$ 1,179,055</u>

- ⁽¹⁾ Represents Federal revenue reported in the Basic Financial Statements but not subject to Single Audit at the County level. These funds are administered and audited at the Michigan Department of Transportation on behalf of the County.

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
of Branch County
Coldwater, Michigan

We have audited the financial statements of Branch County, Michigan as of and for the year ended December 31, 2004, and have issued our report thereon dated April 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Branch County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Branch County in a separate letter dated April 1, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Branch County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted other matters involving compliance and other matters that we have reported to management of Branch County in a separate letter dated April 1, 2005.

This report is intended solely for the information and use of management and the Board of Commissioners of Branch County, pass-through grantors, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

April 1, 2005

Branch County, Michigan

SCHEDULE OF FINDINGS

Year Ended December 31, 2004

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the basic financial statements. There were no reportable conditions disclosed by the audit of the basic financial statements. We noted no instances of noncompliance with laws, regulations, contracts and grants that could have a direct and material affect on the basic financial statements.

An unqualified opinion was issued on compliance for major programs. We noted no reportable conditions related to internal controls or compliance related to the major programs tested.

The major program tested to cover 50 percent of the total Federal expenditures was the Child Support Enforcement Program (Title IV-D) (CFDA #93.563). Total Federal expenditures for the year ended December 31, 2004, for the major program was \$681,140, which is approximately 58 percent of total Federal Award expenditures. The County did not qualify as a low-risk auditee.

The County had one (1) Type A program, the Child Support Enforcement Program (Title IV-D) (CFDA #93.563). Programs of less than \$300,000 were determined to be Type B programs.

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Control Over the Basic Financial Statements.

None

Findings Related to Compliance with Requirements to the Basic Financial Statements.

None

Findings Related to Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.

None

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended December 31, 2004

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Combined Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to the Combined Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings.

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MANAGEMENT LETTER

To the Board of Commissioners
of Branch County
Coldwater, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of Branch County, Michigan for the year ended December 31, 2004. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of internal control and our discussions with management.

1. The County should review all bank accounts with the County's Federal Identification Number.

During the course of our audit, it was noted that the three (3) organizations opened bank accounts using the County's Federal Identification Number without the County's knowledge.

We suggest the County require these organizations to open new bank accounts using appropriate identifying information and cease using the County's Federal Identification Number.

2. Outstanding checks greater than one (1) year old should be escheated to the State of Michigan.

During our audit, it was noted that the Maple Lawn Medical Care Facility had several outstanding checks listed on accounts payable and patient trust bank reconciliations that were more than one (1) year old. The Michigan Public Act 29 of 1995 provides that the Department report and escheat unclaimed property to the State of Michigan.

We suggest the Maple Lawn Medical Care Facility attempt to contact the payees in an effort to clear old outstanding checks. In the event that the rightful property owners cannot be located, we suggest the County review their unclaimed property and escheat funds to the State of Michigan as necessary.

3. The County should retain all supporting documentation for expenditures.

During our testing of expenditures, we noted two (2) out of fifteen (15) transactions tested where supporting documentation was not available for credit card purchases.

We suggest the County retain all receipts for credit card purchases and attach those receipts to the corresponding credit card statements upon payment.

4. The County should review the status of individual fund balances (deficits) near year-end.

As noted in the basic financial statements, the County had one (1) fund that ended the year in a deficit financial position. A similar issue was noted and reported in our audit comments last year. The Parks Fund remained in a deficit as of December 31, 2004, however the County reduced the amount of the deficit during the fiscal year in accordance with the deficit elimination plan previously filed with the Michigan Department of Treasury.

We suggest the County review the status of individual funds near year-end and make appropriate adjustments when possible to eliminate deficits.

5. The County should adopt budgets for all funds and make year-end budget amendments incorporating audit accruals.

As noted in the financial statements, some of the budgeted activities of the County exceeded the amounts appropriated and a budget had not been adopted for all funds. We noted several variances in the General and Special Revenue Funds. Some of the variances noted were the result of audit accrual entries. We also noted that the County's procedures do not include an independent review of the available budget amounts prior to expenditure of funds. This issue was noted and reported in our audit comments last year.

The Michigan Public Act 621 of 1978, as amended, provides that the County adopt formal budgets for the applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated.

Although the County monitors expenditures against the adopted budget on a periodic basis, we suggest anticipated audit accruals be incorporated into year-end budget amendments and adopt a budget for all applicable funds. We also suggest the County consider implementing a centralized procedure (i.e., purchase requisition/order system) that could be utilized to review available budget amounts prior to the expenditure of funds.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements and this report does not affect our report on the basic financial statements dated April 1, 2005.

This report is intended solely for the use of management and the Board of Commissioners of Branch County and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

April 1, 2005